Commercial strategies and business engagement in the European Union’s relations with Asia

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FOR REFERENCE ONLY
Commercial Strategies and Business Engagement in the European Union's Relations with Asia

By

Ajaree Tavornmas

Doctoral Thesis
Submitted in partial fulfilment of the requirements for the award of
Doctor of Philosophy of Loughborough University

27 January 2006
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Abstract

This thesis examines the EU's commercial relations with Asia (in this case, South East Asia and North East Asia), with a particular focus on the investigation of the EU's commercial and business engagement at three different levels – transregional (ASEM), interregional (EU-ASEAN) relations and bilateral (EU-Thailand) relations – during the period 1994-2004. Its most general inspiration is the study of International Political Economy (IPE), particularly the interrelations and interactions between states and firms, or governments and business, in the changing global political economy. It argues that one can no longer conceive of EU-Asia commercial relationships during the post-Cold War period only as traditional government-to-government relations, but that business and firms (non-states) and the EU (a quasi-state) have become significant actors performing commercial roles alongside states in these relationships.

Hence, the focus of the thesis is to explore EU business engagement within the broad framework of its commercial diplomacy towards Asia since the first Asian strategy adopted by the European Commission in 1994. The thesis draws upon the idea of Triangular Diplomacy (Stopford and Strange, 1991) and other conceptualisations of 'competition state' (Cerny, 2000c), 'catalytic state' (Weiss, 1998) and 'confrontation to cooperation' (Dunning, 1993b) producing what might be termed the 'cooperation state' in state-firm relations, as a means of generating questions about the roles played by the EU, as a quasi-state, towards business and firms. It establishes that since the mid-1990s business engagement has emerged as part of EU commercial diplomacy and that the EU plays 'proactive' roles in relation to business and firms – comparable to those of competition, catalytic and cooperation states – engaging and incorporating them closely into its commercial diplomacy framework.

After examining the formulation of the EU’s commercial and business engagement strategies in Asia, three empirical studies investigate the implementation of these strategies, at three different levels: the Asia-Europe Business Forum (AEBF) integrated as part of the ASEM economic process at the transregional level, economic co-operation programmes as 'soft' commercial instruments to indirectly engage business in interregional (EU-ASEAN) relations, and the roles played by the European Commission Delegation in Thailand assisting and cooperating with different commercial stakeholders (both states and firms) through a process of commercial networking at the local level. The empirical investigations uncover significant variations in the patterns of the EU commercial and business engagement in Asia. The EU has different instruments and strategies, performs different roles, and attempts to engage different stakeholders at these three distinctive but interconnected levels. On the basis of this finding, the thesis asks whether a reformulation of ideas about state-firm relations in commercial diplomacy is appropriate or practical.

Key Words: State-Firm Relations, EU Commercial Diplomacy, Business Engagement, EU-Asian Commercial Relations.
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<td>ABAC</td>
<td>Business Advisory Council</td>
</tr>
<tr>
<td>ABC</td>
<td>ASEAN-Brussels Committee</td>
</tr>
<tr>
<td>ACP</td>
<td>African Caribbean and Pacific</td>
</tr>
<tr>
<td>AEBF</td>
<td>Asia-Europe Business Forum</td>
</tr>
<tr>
<td>AEM-EU</td>
<td>ASEAN Economic Ministers and EU Trade Commissioner Consultation</td>
</tr>
<tr>
<td>AEMM</td>
<td>ASEAN-EU Ministerial Meeting</td>
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<tr>
<td>AFC</td>
<td>ASEAN Finance Cooperation</td>
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<tr>
<td>AFTA</td>
<td>ASEAN Free Trade Area</td>
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<tr>
<td>ALA</td>
<td>Asia and Latin America</td>
</tr>
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<td>AMCHAM</td>
<td>American Chamber of Commerce</td>
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<td>AMCHAM EU</td>
<td>American Chamber of Commerce to the European Union</td>
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<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<td>ARF</td>
<td>ASEAN Regional Forum</td>
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<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<tr>
<td>ASEF</td>
<td>Asia-Europe Foundation</td>
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<td>ASEM</td>
<td>Asia-Europe Meeting</td>
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<tr>
<td>BCCT</td>
<td>British Chamber of Commerce in Thailand</td>
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<tr>
<td>BDI</td>
<td>Federation of German Industries</td>
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<tr>
<td>BIC</td>
<td>Business Information Centre</td>
</tr>
<tr>
<td>BLTCC</td>
<td>Belgium-Luxemburg/Thai Chamber of Commerce</td>
</tr>
<tr>
<td>BOT</td>
<td>Board of Trade of Thailand</td>
</tr>
<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
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<tr>
<td>CBI</td>
<td>Confederation of British Industry</td>
</tr>
<tr>
<td>CCP</td>
<td>Common Commercial Policy</td>
</tr>
<tr>
<td>CCT</td>
<td>Common Customs Tariff</td>
</tr>
<tr>
<td>CFSP</td>
<td>Common Foreign and Security Policy</td>
</tr>
<tr>
<td>CVD</td>
<td>Countervailing Duties</td>
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<tr>
<td>DG</td>
<td>Directorate General</td>
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<tr>
<td>EBIC</td>
<td>European Business Information Centre</td>
</tr>
<tr>
<td>ECJ</td>
<td>European Court of Justice</td>
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<tr>
<td>ECSC</td>
<td>European Coal and Steel Community</td>
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<tr>
<td>EMIFCA</td>
<td>EU-MERCOSUR Interregional Framework for Cooperation Agreement</td>
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<td>EMM</td>
<td>Economic Ministers' Meeting</td>
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<td>EPG</td>
<td>Eminent Persons Groups</td>
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<td>EC</td>
<td>European Community</td>
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<td>EU</td>
<td>European Union</td>
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<td>FAO</td>
<td>Food and Agriculture Organisation (of the United Nations)</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FinMM</td>
<td>Finance Ministers' Meeting</td>
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<td>FTA</td>
<td>Free Trade Agreement</td>
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<td>FTCC</td>
<td>Franco-Thai Chamber of Commerce</td>
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<td>GATS</td>
<td>General Agreement on Trade in Services</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<tr>
<td>GCC</td>
<td>Gulf Cooperation Council</td>
</tr>
<tr>
<td>GSP</td>
<td>Generalised System of Preferences</td>
</tr>
<tr>
<td>GTCC</td>
<td>German-Thai Chamber of Commerce</td>
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<tr>
<td>IEG</td>
<td>Investment Experts Group</td>
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</table>
IGC  Intergovernmental Conference
IMF  International Monetary Fund
IPAP  Investment Promotion Action Plan
IPE  International Political Economy
IPR  Intellectual Property Right
JCC  Joint Co-operation Committee
JETRO  Japan External Trade Organisation
JFTCCT  Joint Foreign Chamber of Commerce in Thailand
MEBF  EU-MERCOSUR Business Forum
MEM  Most Efficient Measures
MERCOSUR  Southern Common Market (Mercado Común del Sur)
MFA  Ministry of Foreign Affairs (of Thailand)
MITI  Ministry of International Trade and Industry (of Japan)
MNC  Multinational Corporation
MNE  Multinational Enterprise
MRA  Mutual Recognition Agreement
NAFTA  North American Free Trade Agreement
NGO  Non-Government Organisation
NICs  New Industrialised Countries
NL-TCC  Netherlands-Thai Chamber of Commerce
NTB  Non-Tariff Barrier
ODA  Overseas Development Aid
OECD  Organisation for Economic Co-operation and Development
OSCE  Organisation for Security and Co-operation in Europe
PCA  Partnership and Co-operation Agreement
PMC  Post Ministerial Conference
SAARC  South Asian Association for Regional Cooperation
SEOM-EU  Senior Economic Officials Meeting and EU Consultation
SME  Small and Medium Enterprise
SOM  Senior Officials Meeting
SOMTI  Senior Officials Meeting on Trade and Investment
SPF  Small Project Facility
SPS  Sanitary and Phyto-Sanitary
EFTA  European Free Trade Association
TABD  TransAtlantic Business Dialogue
TBR  Trade Barrier Regulation
TBT  Technical Barrier to Trade
TFAP  Trade Facilitation Action Plan
TICC  Thai-Italian Chamber of Commerce
TREATI  Trans-Regional EU-ASEAN Trade Initiative
TRIPS  Agreement on Trade-Related Aspects of Intellectual Property Rights
UN  United Nations
UNCTAD  United Nations Conference on Trade and Development
UNICE  Union of Industrial and Employers’ Confederations of Europe
WEF  World Economic Forum
WTO  World Trade Organisation
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Acknowledgements

This thesis was written as part of my doctoral studies at the Department of Politics, International Relations and European Studies, Loughborough University, the United Kingdom. It was made possible with extensive support from several organisations, scholarships, and individuals, who have kindly helped me through my four years and four months in producing this thesis.

First, I wish to acknowledge my supervisor, Professor Michael H. Smith, to whom I owe my deepest sense of gratitude. Mike has not only been my 'greatest' supervisor in guiding and leading me through this long and intriguing academic journey, but has also taught me the means on how to research and to overcome a number of PhD challenges. I thank him for his dedication and profound intellectual inputs on this thesis and for his tremendous attention and support over the years, both academically and mentally. To me, Mike has turned out to be more than just a supervisor - but a decent and highly respected person.

This PhD project was made possible by a scholarship granted from Overseas Research Students (ORS) Awards Scheme from the British government, with additional funding from the Department of Politics, International Relations and European Studies. I am particularly grateful to Professor Dave Allen for his kind support, his always encouraging statements, as well as his thoughtful and constructive comments on the thesis. I would also like to thank all staff members, particularly those who were my directors of research, those on my panels, and those at the Learning Resources Centre, for their generous support and meaningful advice. Special thanks also to the 'postgraduate research community' for making the Schofield building such a friendly and cosy academic environment. I wish to particularly thank Emilian Kavalski, for being my best ever office-mate, tea-mate, proof-reader, and a good friend who has taught me to appreciate the true meaning of hard-working and discipline.

I would like to thank the German Academic Exchange Service (Deutscher Akademischer Auslandsdienst - DAAD), for having awarded to me a research grant to spend part of my second-year PhD studies, in May-June 2003, as a visiting fellow at Kiel Institute of World Economics, in Kiel, Germany. I would also like to express my sincere thanks to Professor Rolf Langhammer, who gave his constructive comments from an economist's perspective, as well as for his warm hospitality during my stay in Kiel.

For my fourth-year, I moved to Lund and Copenhagen, where I am particularly grateful for the 8-month Guest Research Fellowship awarded by the Swedish Institute and hosted by the Department of Political Science, Lund University, Sweden. My special thanks are particularly extended to Professor Ole Elgström, for going out of his way to spend a good part of his time and attention to comment on parts of my thesis. Moreover, I would also like to thank the Nordic Institute of Asian Studies and its stimulating research community for hosting my stay as a guest researcher during March-May 2005 in Copenhagen, Denmark.

The empirical part of thesis would not have been at all possible without the generous support and views contributed from a number of officials, policy-makers and individuals from different organisations, whose names are anonymous. These include, but not yet all, the European Commission in Brussels; the European Commission Delegation in Thailand; Embassies of some EU Member States in Thailand; the International Affairs Bureau, Secretariat of the Prime Minister, Thailand; the German-Thai Chamber of Commerce; as well as the Master of Arts Programme in European Studies, Chulalongkorn University, particularly Professor Apirat Petchsiri.

X
Special thanks also to the Royal Thai Embassy in Brussels/Mission of Thailand to the European Communities, particularly H.E. Ambassador Don Pramudwinai and all my colleagues there for their kind support and understanding shown in finalising this thesis.

Many thanks are particularly extended to Helen Drake, my internal examiner and Steven McGuire, my external examiner for their stimulating sets of questions, constructive comments, and thoughtful contributions on this thesis during my PhD viva.

I would also like to thank Pojaman, my best friend, for her long encouragement and true friendship, Piyaphon for his positive thoughts, Magdalena for sharing the writing-up year experience, as well as Emma, Camilla, Carina, Alan and Matt for their constant supports and assistance, and equally important are all my ‘Artsgirl’ friends, Rosalyn, Chavalin, Athirat, Perada, Watinee, Atchara, Namon, and Artitaya for numerous encouraging e-conversations and for the long distance friendship which has never changed over time.

Finally, I owe my personal debt to Mark Steffen Gottschalk for his unrelenting support and unlimited motivation – and for his love, trust and optimism, all of which retained my ‘strength’ and kept me ‘strong’. Thanks for being able to keep me smiling and for being together both good and bad moments.

This thesis is dedicated to my family: to my brother, Arm and my dad, Amporn for being the most crucial part of my life – the way they are, and most importantly to my mom, Ann, for her long and never-ending devotion, love, and encouragement, for her exceptional understanding in ‘everything’, and for being the best mom, the best model in my life. I will not be able to achieve anything without you.
Introduction

'The rise of Asia is dramatically changing the world balance of economic power...the European Union needs therefore to accord Asia a higher priority than is at present the case...and to strengthen the Union's economic presence in Asia in order to maintain the Union's leading role in the world economy'
(European Commission, 1994: 1-2)

In the past decade Asia has increasingly become important for the European Union (EU) and the EU’s presence in Asia has become progressively more visible. Economic and commercial interests, especially in the Asian markets, have formed the EU’s major focus and priority in this region, as explicitly stated in the EU’s first Asian strategy ‘Towards a New Asia Strategy’ adopted by the European Commission in 1994. Since this first Asian strategy, the EU via the European Commission has initiated a number of commercial strategies and instruments to engage Asia and its sub-regions\(^1\) and has also developed a set of institutional frameworks to promote closer co-operation between Europe and Asia at different levels: transregional (best represented by the Asia-Europe Meeting – ASEM), interregional (represented here by relations between the EU and the Association of Southeast Asian Nations – ASEAN), and bilateral relations with different Asian countries. Through these three levels of commercial engagement in Asia, the EU has pursued economic and commercial objectives, particularly in promoting trade and investment and strengthening economic ties between the two regions, as set out in the EU’s commercial strategies towards Asia.

More specifically, business engagement has emerged as a significant element of overall EU commercial strategies towards Asia. This has happened alongside a shift from a protectionist approach during the late 1970s-early 1980s towards a more liberal approach in the EU’s trade and commercial strategies during the 1990s (McGuire, 1999: 82; Hanson,

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\(^1\) Sub-regions in Asia include South Asia, South East Asia, North East Asia, and Australasia – as defined by the Commission (2001c: 6). However, this thesis only focuses on South East Asia and North East Asia.
In response to the changing global political economy of the post-Cold War period, the EU has performed a more proactive role towards business and firms in the global political economy, engaging and incorporating them more closely into its commercial diplomacy framework. Hence, the EU has tried to pursue positive business engagement, by acting in support of business and firms in accessing Asian markets. This in turn helps to increase the EU’s global competitiveness and to secure its position as an economic power in the global political economy (in competition with the US and Japan).

Viewed against this background, the main objective of this thesis is to investigate the EU’s commercial diplomacy towards Asia (in this case, South East Asia and North East Asia) with a specific interest in exploring the place of business engagement within the EU’s broad commercial strategies towards Asia at three different levels of engagement – transregional (ASEM), interregional (EU-ASEAN) relations and bilateral (EU-Thailand) relations – during the period 1994-2004. This investigation of the EU’s commercial and business engagement strategies towards Asia is linked to two broad concerns about the nature and characteristics of EU commercial diplomacy, and more generally about the relations between states and firms and the study of International Political Economy (IPE).

The first concern relates to the EU as a commercial actor and its commercial diplomacy in the global political economy. The EU has undoubtedly become a formidable player in the post-Cold War international economic order, though it is not recognised as a state in traditional terms. Whilst representing a quasi-state actor, the EU plays significant roles as a commercial actor engaging with both states and firms from the EU and the rest of

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2 This thesis gives a particular focus on analysing the EU as a commercial actor (in its own right) in Asia. While acknowledging the importance of Member States in this analysis, this thesis does not aim to examine the Member States’ diversified, sometimes conflicting, interests in Asia. In this thesis, the EU means EU15 and EU25 after the 2004 Enlargement; and Asia means the Asian ‘ASEM 10’ – Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, China, Japan, South Korea – including only 7 of ASEAN members (but not Laos, Cambodia, and Myanmar), and excluding South Asia and Australasia.

3 The period of 1994-2004 means from the emergence of the EU’s ‘Look East’ policy (Richards and Kirkpatrick, 1999: 689-690), and particularly the European Commission’s first Asian strategy in 1994, up to the ASEM5 Summit in the autumn of 2004 in Hanoi, Vietnam.

4 When mentioning ‘quasi-state’, the thesis does not refer to Robert Jackson’s acclaimed concept of ‘quasi-states’ (1990); rather it focuses on analysing ‘statelike’ features (Laffan, O’Donell and Smith, 1999: 52; Smith 1994a, Smith 1994b) of a quasi-state actor and the extent to which it can perform a number of state-functions.
the world. Within the area of commercial diplomacy (of the First Pillar), the EU performs a number of state-functions, for example, forming its own commercial strategies, representing EU common interests and exercising influence in different international arenas, namely multilateral, interregional and bilateral. In particular, the European Commission, despite the fact that its commercial autonomy is still limited by the restriction inherent in the Community's commercial competence and its interaction with Member States (through the Council) within the complex and politicised EU policy-making process, has played a leading role in formulating the EU's commercial strategies and projecting its commercial ideas, priorities, objectives, and influence throughout the rest of the world. Thus, the EU can have an immense impact in the global political economy. However, the question informing this research is, what are the characteristics and roles of the EU as a statelike commercial actor in Asia in particular, and in the global political economy in general?

The second concern informing this research relates to the broad scope of the relations between states (or in this case, quasi-states) and firms in the global political economy, and more generally to the study of IPE. Mutual interdependence of relations between states and firms, governments and businesses, or more broadly politics and economics, has been the key theme in the study of IPE. 'Structural changes' (Strange, 1992: 2) in the post-Cold War period have posed great challenges to the traditional roles of states, resulting in the emergence of new actors, non-states such as firms, as well as quasi-state such as the EU, performing their roles alongside traditional state actors in the international arena. This also leads to a fundamental change in the nature of diplomacy, producing a new kind of diplomacy referred to by the term 'Triangular Diplomacy'. It represents a theoretical model for the understanding and the explanation of the interactions between states and firms in the global political economy, proposed in 1991 by John Stopford and Susan Strange (1991: 22).
Inspired by Stopford and Strange's idea of Triangular Diplomacy and various works of Strange on the EU\(^5\) which highlighted '... an awareness of the ways in which the European project should be located within processes of global economic integration...' (Smith, 1998b), the thesis aims to explore the impact of the EU dimension on state-firm relations by assuming that the EU, though it is not a state but a quasi-state, has also joined state-firm interaction in this new kind of diplomacy. In this respect, the broad focus of this thesis is to explore the EU-Asian commercial relationship during the period of 1994-2004 in the light of the particular context of mutual engagement between states (or quasi-states) and firms, and more broadly of the study of IPE.

**RESEARCH QUESTIONS AND MAIN ARGUMENTS**

Influenced by the two broad research concerns outlined above, this thesis is devoted to a multi-level investigation of the EU’s commercial and business engagement strategies towards Asia. The investigation is guided by the following specific research questions:

First, what are the main features of the EU’s commercial strategies towards Asia and how have they been translated into EU-Asian institutional frameworks at different levels of EU commercial engagement in Asia? Specifically, how far do these strategies reflect a multi-level approach, and how far do they reflect the aims of business engagement?

Secondly, how have the aims of EU commercial strategies been translated into specific activities within EU-Asian relations? Specifically, how has implementation taken place at different levels, and how has it incorporated business engagement?

Thirdly, what are the key areas of variation between business engagement activities at different levels, and how effective have EU activities at these different levels been?

\(^5\) For example, the last piece of Susan Strange’s work on the EU called ‘Who are EU? Ambiguities in the Concept of Competitiveness’ (1998)
These three specific research questions are designed to focus the broad analytical concerns relating to EU commercial policy, and the roles played by the EU in global political economy against the background of state-firm relations. The conceptual background to these concerns is set out in Chapters 1-2 of the thesis. While the first specific research question will be addressed in general terms in Chapter 3, the second and third questions will be dealt with both in Chapter 3 and in the detailed empirical study presented in Chapters 4-6.

The above set of research questions is reflected in the main argument of this thesis that: the study of state-firm relations provides a means of generating questions about the dynamics of institutional development and policy implementation within the EU’s commercial diplomacy towards Asia. More specifically, this research perceives the EU’s commercial diplomacy towards Asia as a reflection of composite dynamics both on the traditional state-level – commercial policy-formulation of the EU and Member States toward Asian host governments (government-to-government relations) – as well as (and more significantly) of the extent to which the EU incorporates and engages business interests into its commercial strategies. In this respect, the thesis draws upon the idea of Triangular Diplomacy and those of other authors on the concepts of ‘competition states’ (Cerny, 2000c), ‘catalytic states’ (Weiss, 1998) and ‘confrontation to cooperation’ (Dunning, 1993b) producing what might be termed the ‘cooperation states’ in state-firm relations in order to explore variation in EU business engagement within the broad framework of its commercial strategies.

Business engagement has emerged as part of overall EU commercial diplomacy since the mid-1990s. In responding to structural changes in the global political economy during the post-Cold War, the EU has adopted a number of different commercial instruments and

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6 It is not an aim of this thesis to analyse the roles of different Member States in the EU-Asian commercial relations. However, it is undeniable that Member States are in fact involved in this analysis due to their interactions with the EU within the broad EU commercial policy. This means the thesis only aims to explore the roles played by the EU as a commercial actor and the extent to which and how it engages and incorporates business and firms (through some state-functions) closer to its commercial diplomacy framework at different levels of engagement in Asia.
strategies to engage business and firms more closely into its commercial diplomacy framework, for example by assisting and setting a framework for them to access third country markets (through the market access strategy), as a means to promote European competitiveness in the global political economy. In this respect, the thesis assumes that business engagement has emerged as part of EU commercial diplomacy, and that the EU seems to play positive and proactive roles – comparable to those of competition, catalytic and cooperation states – in engaging business and firms more closely to its commercial diplomacy, especially in the case of Asia, whose markets have received increasing attention from the EU. These positive and proactive roles can be observed through the EU’s attempt to formulate a number of distinctive business engagement strategies and instruments at different levels of EU commercial engagement in Asia, aiming to assist European business to access Asian markets and to facilitate trade and investment between the two regions. The empirical investigation in Chapters 4-6 of this thesis will explore this core assumption and will evaluate how effectively EU business engagement strategies towards Asia have been implemented at different levels. It is also expected that this multi-level analysis of the EU’s commercial and business engagement strategies in Asia could help facilitate a general understanding of the EU’s position in the global political economy.

Policy Research: Formulation vs. Implementation of Strategy

This thesis is partly an exercise in ‘policy research’, which aims to contribute to both academic and policy debates. In conducting policy research (as opposed to analysing policy and strategy only from official policy/strategy papers), it is crucial to have access to key policy-makers in order to obtain information about the current situation in the particular area of research (in this case the EU-Asian commercial relations), as well as gain insight into the motivations behind and the implications of such policy and strategy papers, adopted at particular times with particular purposes.
While aiming to evaluate the European Commission’s strategies towards business in Asia – the extent to which and the way in which they engage business closely into the EU’s formal commercial framework – the thesis also makes a distinction between ‘formulation’ and ‘implementation’ of strategy. It is important to note that this is done not with the intention to compare the EU’s commercial roles and activities in Asia to those of the US and Japan – their major economic competitors in the region – as such; instead the emphasis is on evaluating the achievement of the objectives set out by the European Commission in a set of strategies towards Asia. This is pursued in the three key contexts of ASEM, EU-ASEAN relations, and EU-Thailand relations, and the thesis then explores the extent to which and also the process of how these strategies and instruments have been successfully implemented. In other words, a key part of the process is to distinguish the difference between strategy ‘formulation’ and ‘implementation’ or, to put it more crudely, ‘what the European Commission is aiming to do’ and ‘what actually has been implemented/translated into action?’ Chapter 3 will be devoted to the exploration of the first question, then Chapters 4-6 to the later. Hence, this distinction between strategy formulation and implementation frames the general scope of this research.

**Multi Level-Analysis**

The empirical section of this thesis (Chapters 4-6) emphasises the utility of multi level-analysis for exploring the place of business engagement at different levels of EU commercial engagement in Asia: transregional, interregional, and bilateral. In this context, the transregional level is taken to refer to the ASEM, the interregional level to EU-ASEAN relations, and the bilateral level to EU-Thailand relations.

The proposition of multi-level analysis takes its cue from the words of Chris Patten, the 1994-2004 External Relations Commissioner, who insists that ‘given the sprawling variety of Asia, it is absurd to think of a monolithic EU-Asia relationship: a single policy or approach, equally valid across the whole region’ (Patten, 2002). Therefore, as a result of this
diversity of Asia, the EU engages the region at different, but interconnected levels: transregional, interregional, and bilateral. More importantly, in these three distinctive levels, it is assumed that the EU adopts different instruments and strategies, and performs different roles in its engagement with different stakeholders. Despite such variation in strategies, instruments, roles, and stakeholders, the EU's commercial and business engagement strategies at these different levels are arguably interconnected, reflecting the policy-linkages and differing priorities of EU's commercial diplomacy towards Asia. This is because EU commercial interests in Asia at these three distinctive levels might be overlapping and intersect, and the EU might give more priority on one level than the other, depending on particular times and contexts.

RESEARCH METHODS AND SOURCES

This section addresses the sources this research has relied on and the methodological approach this research has adopted in exploring and investigating the research questions and assumptions mentioned earlier. A significant segment of the literature on EU-Asian relations has been mainly focused either on the Member States' or the EU's external relations with Asia and individual Asian countries at the government-to-government or intergovernmental level. This has meant that the investigation of the EU's commercial relations with Asia in the context of state (or quasi-state)-firm relations has remained largely under-researched. It is argued that in order to understand EU-Asian commercial relations during the post-Cold War period, it is crucial for this thesis to take into account the business involvement and particularly the complex interactions and interrelations between states, firms and the EU, as part of the broad picture of EU-Asian relations. This means injecting an IPE angle into the study of the EU's external relations towards third countries, in this case those of Asia. Such a focus on EU business engagement activities is central to the contribution of this thesis to the existing literature on the EU-Asian relations.
Research Resources

Literature on EU-Asian commercial relations from various secondary sources has provided this thesis with a broad understanding of the EU's commercial engagement in Asia at different levels through different institutional frameworks and mechanisms, including the ASEM, EU-ASEAN relations, and EU-Thailand relations; as well as how the EU intends to use them as a means to foster EU-Asian commercial relations, particularly to promote trade and investment between the two regions. However, in order to gain empirical evidence for the study of the EU's commercial and business engagement strategies in Asia, the thesis not only relies on secondary sources conducted and written by leading scholars in the field of EU-Asian relations, but also capitalises on access to primary documentary sources, such as official publications and documents of the EU, Chairman's Statements and Minutes from different Summits and meetings between Europe and Asia⁷.

In studying the formulation of EU's commercial strategies, the research treats not only the European Commission's Communication papers but also papers produced by the Council, the European Parliament and other EU institutions as the main sources for an exploration of EU commercial strategy, addressing the question 'what is the EU, particularly the European Commission aiming to do in Asia?' These Asian strategies adopted during the period of 1994-2004 can be broadly divided into different types according to the different levels of engagement: apart from the broad Asian strategy papers, which aim to set up overall strategy and also state priorities, aims and objectives, there are ASEM strategy papers, strategy papers for ASEAN or the South East Asian region, and bilateral strategy papers for different Asian countries. The inferences of this thesis also rely heavily on information obtained from interviews, questionnaires, policy-networking and constant contacts with officials and policy-

⁷ See Bibliography, Section A. on Primary Sources, page 310
makers in order particularly to address the question 'what actually has been implemented/translated into action?'

**Interviews, Questionnaires and Policy-Networking**

Interviews, questionnaires and policy-networking are three key qualitative research methods used as part of this research. Starting in October 2001, 39 in-depth, semi-structured interviews, 9 sets of questionnaire feedback forms (out of approximately 60 sent out), as well as constant interactions and other networking activities with officials and policy-makers were conducted in order to obtain empirical evidence, particularly for Chapters 4-6. In doing so, the author targeted not only officials and policy-makers who have knowledge and expertise in this particular policy area from both the EU and Member State organisations, but also other stakeholders (i.e. Business Associations and Chambers of Commerce) involved in the EU's commercial relations with Asia.

At the initial stage of this research, approximately 60 open-ended questionnaires were sent out via email to four target groups of people, including responsible persons on Asia/Thailand at the European Commission in Brussels as well as its Delegations in Asia/Thailand, Member State organisations, Thai government organisations, and representatives of business and private sector organisations (see Annex 6.1 for a sample of questionnaire form). The questions were formulated differently according to different target groups. However, the direct feedback received from questionnaires method was of marginal significance. Only a few questionnaires were completed and returned. Rather, informal meetings with an opportunity for interviews and face-to-face discussion were often offered by policy-makers as an alternative means of responding to the questionnaires, particularly officials from the European Commission in Brussels.

As a result 'elite interviewing', particularly 'semi-structured interviewing' (Burnham, Gilland, Grant, and Layton-Henry, 2004: 205) was a key method for this research, especially as a useful tool to deepen the research findings for Chapters 4-6. It
is recognised that this method is subject to limitations arising out of respondent confidentiality; although there were variations in the conditions imposed by the wide range of respondents, the decision was taken in the context of the thesis to withhold all interviewee names. The questionnaires were used as a basis for interview questions sent to the interviewees in advance. However, in practice different interviews were handled differently according to the position, expertise, personality, and interest in the subject of the interviewees.

The interviews, which were mainly undertaken in Brussels and in Thailand, covered for example: the European Commission in Brussels (mainly DG Trade, DG External Relations, EuropeAid Co-operation Office); the European Commission Delegation in Thailand (particularly economic and commercial sections); Member State Embassies in Thailand (particularly economic and commercial sections); business associations (particularly, Chambers of Commerce, Member States' trade and industrial federations, UNICE, etc); Thai government organisations (for example, Mission of Thailand to the European Communities in Brussels, Ministry of Foreign Affairs, Ministry of Commerce, Government House). It is important to note that the 39 interviews conducted during 2002-2005 also included a number of follow-up interviews with the same policy-makers and officials. For example, the author conducted research fieldwork in Bangkok 4 times (in 2001, 2002, 2003 and 2004), and in Brussels 3 times (in 2003, 2004, and 2005), meeting with some new interviewees as well as conducting some follow-up interviews with the same officials and policy-makers who are experts in that particular area. Moreover, among the officials and policy-makers, the author observed that higher level officials were more likely than the lower level ones to provide positive and uncritical evaluations of the implementation and outcomes of the EU policy/strategy towards Asia. Thus, in order to obtain a more critical and concrete

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8 A full list of interviews is provided in the Bibliography, page 316.
evaluation of policy implementation, the author focused more on semi-structured interviews with area-specific policy-makers and experts, rather than high-level officials.

However, obtaining business and private sector views on the EU's commercial strategies towards Asia proved to be more difficult. The author made a number of attempts to contact business people for interviews or discussions about the EU and its commercial policy, but this was often unsuccessful. This is perhaps because European businessmen/women (in this case, in Thailand) are less interested in discussing EU policy since they view this EU issue as marginal to their business activities. Thus, the views and attitudes from the business community presented in this research are the result of more indirect access, firstly through some interviews with Business Associations and Chambers of Commerce, who can also represent business voices, and secondly through informal contact/discussion with business people (for example, in some social and networking events organised by Chambers of Commerce in Thailand).

It is worthy of note in this context that the sources of interview evidence not only reflected the policy expertise of those interviewed but also reflected the overall complexion of the policy areas concerned, in gender-related terms. In terms of the research findings for Chapters 4-6, it can be observed that the empirical investigations on the AEBF (in Chapter 4) and on commercial networking in Thailand (in Chapter 6), particularly with business community and private sector organisations, reflect a male-dominated area; however the interviews conducted with the European Commission in Brussels show evidence of a more equal gender-balance. It is apparent that in this respect the research findings obtained from the interviews are broadly representative and given the variations it was seen as appropriate to use gender-neutral terms throughout the thesis⁹.

⁹ See examples of neutral-gender terms in Chapter 4, page 161 and page 163
The range and content of the data obtained from different interest groups, institutions and organisations involved in EU commercial diplomacy towards Asia as well as the author's close contacts and networks with policy-makers both in Thailand and in Brussels have provided the thesis with additional insight and up-to-date information on the EU's commercial and business engagement strategies towards Asia.

In this manner, a combination of research methods is reflected in the thesis: policy research as a general method for the research project, a multi-level analysis as a framework for the empirical study, and significantly qualitative methods in the form of interviews, questionnaires, and networking and relaying with officials and policy-makers. This made it possible to explore their experiences, practices, critical perspectives, and evaluation in-depth and thus to enrich the analysis of the implementation of the EU's commercial and business engagement strategies towards Asia. The use of such a combination of methods provides complementary data which can strengthen the research findings.

STRUCTURE OF THE THESIS

To explore commercial strategies and business engagement in the EU's relations with Asia, the thesis has been broadly divided into seven chapters. Chapters 1-3 review the analytical and policy background; Chapters 4-6 investigate in detail the EU's business engagement activities in Asia, whilst Conclusion reviews the evidence from Chapters 4-6 and re-evaluates the more general ideas discussed in Chapters 1-3.

Chapter 1 will review the IPE debate on states and firms and their roles in the global political economy, focusing on Susan Strange's approach as an alternative approach (from either realism/internationalism or liberalism/globalism) to understand the increasing importance of non-state actors, while not dismissing the important roles played by states. Rather, it offers an analysis based on 'differentiated' and 'modified' roles of states and a 'redefinition' of state-functions in the changing global political economy, but not the end of statehood. Hence, in Chapter 1, Strange's approach and particularly Stopford and Strange's
(1991) conception of Triangular Diplomacy – a new diplomacy of bargaining relations between states and firms – has been proposed as a useful framework generating questions about the increasing importance of non-state actors such as firms and quasi-state actors such as the EU as participant in the world arena. The chapter complements Stopford and Strange’s approach with other approaches focusing on the more positive and proactive roles of states, namely those relating to ‘competition states’ (Cerny, 2000c), ‘catalytic states’ (Weiss, 1998) and ‘confrontation to cooperation’ (Dunning, 1993b) in state-firm relations producing what might be termed ‘cooperation states’, in order to understand the role played by the EU alongside both states and firms in the global political economy.

Chapter 2 is devoted to the exploration of the EU’s commercial diplomacy, drawing on ideas of commercial autonomy, representation, and influence; though still operating alongside the Member States, the EU has its own commercial diplomacy, and plays significant commercial roles through different strategies and instruments in the global arena. More specifically, Chapter 2 will focus particularly on the European Commission’s roles in formulating the EU’s commercial strategies, pursuing its commercial ideas, objectives and priorities towards the rest of the world. Through these commercial strategies, the Commission – as a strategy initiator – has not only established intergovernmental relations with other states, governments and regional groupings, but has also engaged firms and business closely into these relations. Furthermore, and more significantly, Chapter 2 also observes the emergence of business engagement as a crucial element of overall EU commercial diplomacy towards the rest of the world since the mid-1990s.

By focusing specifically on the EU’s commercial diplomacy towards Asia, Chapter 3 examines the general picture of contemporary EU-Asian commercial relations and particularly the formulation of the EU’s commercial strategies towards Asia during the 1994-2004 period. As a consequence of the large and expanding markets of Asia, which have held the EU’s attention, it is assumed that business engagement has become crucial as part of the
EU’s commercial strategies towards Asia since 1994. Hence, the drive for EU business engagement in this region is even more notable.

On the basis of Chapters 1-3, the thesis concludes provisionally that the EU seems to envisage proactive roles alongside both states and firms in commercial diplomacy and that the framing of EU commercial diplomacy assumes a form of ‘competition’ or ‘catalytic’ state embodying ‘cooperation’ rather than ‘confrontation’ in relations with states and firms. In turn, this implies assistance to Member States and firms enabling them to compete with others, as a means to enhance European competitiveness in the global political economy; the EU in this way can play a ‘proactive’ as well as a ‘defensive’ role in commercial diplomacy. This broad conclusion is then investigated in more detail in Chapters 4-6 of the thesis.

Chapters 4-6 are devoted to an empirical investigation of the place of business engagement within the EU’s broad commercial strategies towards Asia at the three different levels of commercial engagement already identified: transregional (ASEM), interregional (EU-ASEAN) relations, and bilateral (EU-Thailand) relations. Through exploration of these distinctive but interconnected levels of engagement, the thesis aims to investigate the way in which the EU engages or incorporates businesses and firms into its overall commercial diplomacy framework by examining what instruments the EU has, what strategies the EU pursues for whose interests (which business stakeholders) and finally what roles the EU plays in different levels of EU commercial engagement in Asia.

Chapter 4 is devoted to analysing ASEM as part of the EU’s commercial engagement in Asia by focusing on the Asia-Europe Business Forum (AEBF), which under the ASEM economic framework is the EU’s most visible attempt to engage business into its commercial diplomacy at the transregional level. The purpose is to evaluate the extent to which the AEBF has been a successful EU strategy in supporting business co-operation and promoting trade and investment between the EU and Asia.
Chapter 5 investigates the EU's commercial and business engagement strategy at the interregional level of EU-ASEAN relations. Particular attention will be paid to the new ASEAN strategy 'A New Partnership with South East Asia' and particularly the 'Trans-Regional EU-ASEAN Trade Initiative' (TREATI) initiated by the European Commission in 2003 and a number of the EU’s economic co-operation programmes as the EU’s indirect strategy to engage business at this interregional level.

Chapter 6 examines the EU and particularly the role of the European Commission Delegations in assisting business at the bilateral level, using the case of the EU in Thailand. It explores the emergence of a commercial network and the co-operation between the Delegation, Member State Embassies, and other business associations such as national Chambers of Commerce at this local level, with the aim of supporting business and of strengthening EU-Thai trade and investment relations.

The Conclusion begins by reviewing the results of the empirical investigations in Chapters 4-6. This review suggests that there is considerable variety of patterns of activity and their effectiveness at the three levels of EU-Asian commercial relations. On this basis, it can be suggested that different patterns of instruments, strategies, stakeholders and roles produce specific types of business engagement and influence their effectiveness. Thus, whilst Stopford and Strange's concept of Triangular Diplomacy can be seen as a classic model for the analysis of state-firm relations in IPE, the thesis asks whether this is not a rather restrictive model with which to analyse state-firm relations in the European context, where the EU has modified classical relations between traditional states and firms. It is argued that an approach based on differentiation between types of business engagement strategy, and focusing on the proactive role of state or quasi-state authorities is more appropriate.
Chapter 1
States, Markets and Firms

1.1 INTRODUCTION

Central to IPE has been a vigorous debate on states and markets and their roles in the world economy. Two traditional IPE schools of thought, realism and liberalism have embedded contrasting approaches to the role of states and markets. While realism on the one hand gives primacy to states, liberalism on the other emphasises the role of markets. Changes in the post-Cold War period – which can be traced back to earlier developments in the 1970s and 1980s – have challenged this conventional debate. In particular they have introduced a new dispute between internationalism and globalism, which has focused on globalisation and its implications for the roles of states in the global political economy. Equally important, these structural changes during the past thirty years, and particularly in the post-Cold war era, have also resulted in a new or a renewed prominence for diverse sets of actors – non-states (such as firms), Non-Government Organisations (NGOs), international organisations, and quasi-states (such as the EU) – performing their increasingly significant roles alongside traditional state actors in the global political economy. Within this broad framework of the study of IPE, this chapter focuses on analysing the relations between state (or quasi-state) actors and firms in the changing global political economy.

The chapter first reviews the debates between realism and liberalism, and then between internationalism and globalism, which are regarded here as two opposite ends of the spectrum of post-Cold War discussions in IPE. Rather than taking sides with any of these contrasting positions, the chapter proposes Susan Strange’s structural approach as a middle way, which helps bridge the divide between realism/liberalism and internationalism/globalism as well as facilitate the understanding of the roles of states, non-states (particularly firms), and quasi-states like the EU in the changing global political economy. As part of Strange’s
structural approach, particular attention will be paid to Stopford and Strange’s (1991) idea of ‘Triangular Diplomacy’ – a classic model to explain the ‘mutual interdependence of states and firms’ (1991:1) during structural changes within the world economy.

Hence, it is also an aim of this chapter to explore both the variations in the form and the differentiation of the roles played by states within Stopford and Strange’s Triangular Diplomacy model. This model makes possible the analysis of non-states and quasi-states as actors in their own right performing their roles alongside states in the international system, while not dismissing (nor diminishing) the role of states. This chapter thus proposes to take Strange’s structural approach and particularly the idea of Triangular Diplomacy as a means of generating questions about the interrelations between states (or in this case quasi-states) and firms and the roles played by the EU in the changing global political economy. However, to explore the EU, which represents an advanced-industrialised quasi-state economy, the chapter suggests some other conceptualisations of a more proactive role for the state: Philip Cerny’s idea of the ‘competition state’ (1990, 2000c), Linda Weiss’s theory of the ‘catalytic state’ (Weiss, 1998), and John Dunning’s concept of ‘Confrontation to Cooperation’ (1993b) producing what might be termed the ‘cooperation state’, leading to some modifications to the roles of states as put forward in the original version of Triangular Diplomacy proposed by Stopford and Strange.

1.2 CONTRASTING APPROACHES TO STATES AND MARKETS: REALISM AND LIBERALISM

There is a continuing debate in IPE between realism (or mercantilism) and liberalism. These two dominant schools of thought have proffered opposing views on the roles of states and markets\(^{10}\). In this part, the chapter reviews contrasting approaches between realists and liberals, particularly in relation to the nature and role of states in the international system.

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\(^{10}\) It is not a purpose of this chapter to give a detailed account of all IPE schools of thought. It is accepted that Marxism dependency theory and other IPE theories also give their distinctive views on states and markets, which are different from both realism and liberalism.
1.2.1 Realism and Mercantilism: A State-Centric View

Realism (and in more economic terms mercantilism) is seen as representing a state-centric view in IPE. Realism assumes that states are the major actors in world affairs (Morgenthau, 1973:10; Waltz, 1979: 95) and that there is no central authority above states in the international system. Thus, the order between states is explained as an ‘anarchical’, ‘self-help’ system, in which states have to struggle in order to survive and achieve their own ‘national interest’ (Waltz, 1979: 105-107). According to Gilpin, realism is thus ‘a doctrine of state-building’ and for realists ‘the market should be subordinate to the pursuit of state interests’ (1987: 26).

Realism is concerned primarily with ‘the sources and uses of national power in international relations and power relations between nation-states’ (Mastanduno, Lake, and Ikenberry, 1989: 460). In Morgenthau’s (1973: 31) words, ‘international politics, like all politics, is a struggle for power. Whatever the ultimate aims of international politics, power is always the immediate aim’. For the realist, inter-state relations are ‘always power politics’ (Carr, 1981: 145).

When it comes to economic issues, mercantilism not only focuses on the state ‘as the predominant actor in international relations and as an instrument of economic development’ (Gilpin, 1987: 46) but also ‘identifies a favourable balance of trade with national security’ (Gilpin, 1987: 33). This means that mercantilism stands firmly within the realist school of thought, in particular by its emphasis on the linkages between ‘wealth’ and ‘power’. As Jacob Viner (1948:19) points out, the ‘mercantilist doctrine...put[s] great stress on the importance of national economic interests’ and asserts that ‘wealth and power are each proper ultimate ends of national policy’. Therefore, while intending to provide both economic and military security for a given territorial unit, ‘the [mercantilist] state could attempt to accumulate wealth and power relative to other states’ (Gill, 2000: 50). Viewed in this context, Gilpin then described two different forms of mercantilism: the first is defensive or ‘benign’, and the
second aggressive or ‘malevolent’ mercantilism. In the former, particularly as revealed in the work of Friedrich List, states look after their national economic interests because this is an important ingredient in their national security; such policies need not have overly negative effects on other states. In the latter, states attempt to exploit the international economy through expansionary policies: for example, the imperialism of the European colonial powers in Asia and Africa (Gilpin, 1987: 32).

Neo-realism or structural realism has developed further (although with some divergence) the inferences of classical realism. Kenneth Waltz’s (1979) analysis is the strongest and most prominent example of structural realism. Within this school, the theory of hegemonic stability informs the study of IPE with the assumption that the stability of the world economy depends upon the existence of a hegemon (Kindleberger, 1973; Gilpin 1987). As stated by Charles P. Kindleberger (acknowledged as the father of hegemonic stability theory) ‘for the world economy to be stabilised, there has to be a stabiliser, one stabiliser’ (1973: 305). This idea was adopted by the neo-realist in order to analyse international economic relations. For example, Gilpin argued, ‘the creation, maintenance, and successful functioning of a liberal international economy requires the exercise of political leadership...and for several decades, the US performed this leadership or hegemonic responsibility’ (1987: 367). Krasner (1976) has also developed a ‘state-power’ theory of hegemony to illustrate how states act upon interests defined in terms of economic power. As Krasner (2000: 20) points out, the leading state perceives its interests in systemic terms and enforces a relatively liberal international economic order. Therefore, the hegemony of a leading power is necessary for the creation and continuance of free trade.

Based on the realist assumptions outlined above, notwithstanding some differences between them, realism, mercantilism, and neo-realism (hegemonic stability theory) represent

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11 List argues why certain states, Germany in particular, should be given a chance, through protectionism, to ascend the ranks to industrialised status (Crane and Amawi, 1997: 6).
12 As Mastanduno, Lake, and Ikenberry (1989: 460) noted, ‘structural realists are sensitive to the levels of analysis...the structure of the international system is understood in terms of an ordering principle, such as anarchy, and a particular distribution of power’.
a state-centric view in IPE. For them, states are concerned with ‘relative gains’ and each state tries to improve its position vis-à-vis other states. As a result economic relations are often a ‘zero-sum game’ in which one state’s gain equals another state’s loss. Realism does not seem to be interested in markets and firms, as for them markets and firms are outside the political field. Moreover, ‘the existence of various transnational, multilateral, transgovernmental, and other non-state actors...can only be understood within the context of a broader structure that ultimately rests upon the power and interests of states’ (Krasner, 2000: 36). As Gilpin (2002: 238) noted, ‘although realism does not ignore the importance of such non-state actors as multinational firms, international organisations, and non-governmental organisations...realism insists, however, that the state continues to be the principal actor in both economic and political affairs’. Non-state actors ‘are decidedly less important’ (Viotti and Kauppi, 1993: 35) and generally operate within the rubric of state policies.

1.2.2 Liberalism: Beyond the State

Liberalism has a rather different view from realism and mercantilism on the role of states: it rejects the idea that states are the dominant actors, and instead recognises individual human beings as the primary international actors. As Zacher and Matthew point out, ‘liberalism is committed to the steady, if uneven, expansion of human freedom through various political and economic strategies, such as democratisation and market capitalism’ (1995: 111). First, it is important to note that liberalism has developed into theoretically wide-ranging and different approaches and ‘there is no canonical description of liberalism’ (Doyle, 1986: 1152). One of the liberal branches is political liberalism, which has as a goal the harmonisation of conceptions of self-interest through political action: ‘these goals are realised through the promotion of liberal democracy, through international cooperation, law, and institutions, and through social integration and technological development’ (Underhill, 2000: 13). While recognising this conceptualisation of political liberalism, this thesis concentrates on the economic aspects of liberalism.
Economic liberalism assumes that ‘a market arises spontaneously in order to satisfy human needs and that, once it is in operation, it functions in accordance with its own internal logic’ (Gilpin, 1987: 27). Conceived by John Locke in the seventeenth century, ‘laissez-faire liberalism conceptualised governments, or the state, as a necessary evil that has to be sharply constrained in order to allow the private sector to flourish’ (Zacher and Matthew, 1995: 111, 112). During the late-eighteenth and nineteenth-century, Adam Smith did much more than criticise mercantilism – ‘he founded a new line of IPE theory’ (Crane and Amawi, 1997: 6) by espousing the ‘freer trade’ principle. This meant that ‘irrational political intervention or economic collusion, can, and in time did, undermine the felicitous consequences of free markets’ (Crane and Amawi, 1997: 6). David Ricardo (1911: 114) in *The Principle of Political Economy and Taxation* even claimed that free trade ‘binds together by one common tie of interests and intercourse, the universal society of nations throughout the civilised world’. Therefore, as Tooze noted, ‘this principle of free trade, translated to economic relations among nations, means that trade based purely on liberal economic criteria (i.e. free trade) is harmonious, both nationally and internationally’ (1992: 235).

In sharp contrast to the realists, economic liberals view markets as ‘self-regulating’ if individuals are left largely to their own economic devices and thus ‘government has the key but limited function of providing security and maintaining law and order domestically and globally’ (Tooze, 1992: 235). Furthermore, economic liberals believe in a ‘non-zero-sum game’, in which conflict can be managed because bargains can be struck between entities on the basis that everyone could gain’ (1992: 236).

Another branch of liberalism, neoliberal institutionalism, also challenges the realist state-centric view by focusing on international rule-making and institution building as an attempt to find an alternative to state power and interstate competition. Neoliberal institutionalism pays particular attention to the significance of non-state actors and organisations in the international system. International organisations and Multinational
Corporations (MNCs), for example, are perceived as independent actors in their own right and the pattern of international interactions is more than a framework in which sovereign states compete. In their landmark study, Keohane and Nye (1977: 29-38) argue that the international system is characterised by processes of 'complex interdependence' in which states pursue different goals simultaneously and transnational actors, such as NGOs and MNCs, pursue their own goals independent of state control. Keohane and Nye are nevertheless at pains to emphasise that realism is not irrelevant or obsolete: 'it is not impossible to imagine dramatic conflict or revolutionary change in which the use of threat of military force over an economic issue or among advanced industrial countries might become plausible. Then realist assumptions would again be a reliable guide to events' (1977: 28). Keohane and Nye’s conception of ‘interdependence’ is regarded here as more balanced in its approach than that of economic liberals and is thus seen as ‘a combination of international relations realism and liberal IPE’ (Crane and Amawi, 1997: 13).

According to this review of realist and liberal assumptions, it is possible to conclude that realism and liberalism, particularly economic liberalism, are two opposite ends of the spectrum when viewing the role of states and markets in the international arena. They have different areas of interests; realism gives primacy to states, while economic liberalism gives it to markets. As Gill (2000: 51) argued, economic liberalism is 'more a doctrine of the primacy of market forces rather than of the state'. Moreover, Underhill (2000: 13) suggests, 'if realism is a political theory of relations among states, then economic liberalism...has become a theory of the interaction of individuals in the economic sphere'. Neo-liberal institutionalism seems to offer a middle way between liberalism and realism and can (still) be located within the liberal paradigm, but closer to the realist end of the spectrum.

Nonetheless, changes in the world political economy of the past thirty years, particularly globalisation, have posed major challenges to all disciplines engaged in the conventional debate on the role of states and markets. The next section will discuss a new
phase in this debate debate - the contention between internationalism and globalism - which tends to be regarded as both a re-emphasis and a continuation of the dispute between realism and liberalism on the role of states and markets.

1.3 INTERNATIONALISM AND GLOBALISM

In the post-Cold War period, there have been dramatic changes, bringing to prominence those broader structural changes of the past thirty years that have already been outlined. The most striking phenomenon happening in the world political economy has been labelled 'globalisation'. This growing interconnectedness and the increasing international economic forces of globalisation have posed great challenges to territories, sovereignty, and the control of nation-states. There have been widespread arguments among scholars about the impact of globalisation on states: Is the state in retreat? Does the role of the state remain the same, decline or change?

This section explores the 'great globalisation debate' (Held and McGrew, 2000:1) from internationalist and globalist perspectives, with a particular emphasis on the implications of globalisation for the role of states in the changing global political economy. It is argued that the changes in the post-Cold War period and the process of globalisation have re-focused the traditional debate about states and markets between realists and liberals discussed earlier into a vigorous contention between internationalists and globalists. They are seen as two different ends of the spectrum of discussions on the role of the state: (i) internationalists - who still focus on the primacy of states; (ii) and globalists - who give particular attention to the increasing importance of markets. The realist approach tends to be frequently associated with internationalists, while the liberal perspective is espoused by the globalists. However, it has to be noted that it is difficult to perceive either of those positions as definitive or fixed. In fact, there are a variety of other analytical views on the role of states and the impact of

\[13\] Despite globalisation being a contested and multi-faceted phenomenon, this chapter does not aim to define the concept of globalisation; rather it focuses only on the economic aspects of globalisation and what happens to states as a consequence of the processes of economic globalisation.
globalisation. For instance, Held and McGrew (2002: 98) point out that there are three broad theoretical camps: (i) neoliberals, liberal internationalists, institutional reformers who favour globalisation; (ii) global transformers, statist/protectionists, and radicals (Marxists) who oppose it; and (iii) cosmopolitan social democrats who offer overlapping (if not eclectic) perspectives. Rather than attempt to distinguish between these different positions, this chapter focuses on the contrasting views of internationalists and globalists on the role of states in the process of globalisation.

1.3.1 Internationalist ‘Persisting-State’ Views

Instead of the term ‘globalisation’, internationalists offer ‘internationalisation’ as a more valid conceptualisation of current developments; in particular the growing links between essentially discrete national economies or societies and the geographical clustering of cross-border economic and social exchanges in the form of ‘regionalisation’ or ‘triadisation’ (Ruigrok and Tulder, 1995; Hirst and Thompson, 1996). For internationalists, the process of globalisation is greatly ‘exaggerated’ (Hirst and Thompson, 1996) as states retain many crucial capacities for governance. In fact, as Hirst stated, ‘we have been global for a long time’ and the ‘global’ economy is not historically unprecedented14 (1997: 410).

When it comes to explaining regionalisation, internationalists like Hirst argue that the growth of trade blocs like the EU and the North American Free Trade Agreement (NAFTA) has promoted the regionalisation of trade regulation, even as the new General Agreement on Tariffs and Trade (GATT) treaty and the creation of the World Trade Organisation (WTO) ‘have witnessed concerted interstate action to extend the sale and scope of trade liberalisation measures’. Therefore, ‘far from being global, the world economy remains dominated by the three major blocs of wealth and power: the Triad of Europe, Japan and North America’ (Hirst, 1997: 410-413). Additionally and in opposition to the globalist concept of ‘global governance’, internationalists claim that ‘governance beyond the state is conceived primarily

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14 For example, ‘the belle époque, namely the period from 1870-1914’ (Hirst, 1997: 411).
as an intergovernmental affair – dominated by power politics and the historic struggle for relative national advantage (including the competition between national monopoly capitalisms)’ (Krasner 1985, quoted in Held and McGrew 2002: 73). Moreover, the internationalists view MNCs as remaining predominantly the captives of national or regional markets, contrary to their popular portrayal (by globalists) as ‘foot-loose capital’ (Tyson 1991; Ruigrok and Tulder 1995).

To conclude, internationalists emphasise the continuing primacy of territory, borders, place and national governments in the distribution and location of power, production and wealth in the contemporary world order. For internationalists, states remain unquestionably fundamental and sovereign even in the changing global political economy and in the globalisation process during the post-Cold War era.

1.3.2 Globalist ‘Disappearing-State’ Views

Globalists generally contest the internationalist claim that states remain primary actors even in the changing world political economy. Instead they argue that ‘states are undergoing transformation as the dynamics of globalisation accelerate’ (Rosenau 1998: 2). ‘Hyper’ globalists declare ‘the end of the nation state’ (Ohmae, 1996).

Seen as a hyper globalist, Kenichi Ohmae (1990) puts forward the concept of extreme globalisation where advanced technology and modern communication are said to bring us together towards a ‘borderless world’. For Ohmae, ‘traditional nation-states have become unnatural, even impossible business units in a global economy’ (1996: 5); instead Ohmae diagnoses the emergence of a borderless economy of ‘region states’ – ‘an area (often cross-border) developed around a regional economic centre with a population of a few to 10-20 million’ (1996: 143). Region states are the likely organisational units of this globalised world; in any case, power over economic activity will devolve from nation-states to ‘the borderless network of countless individual market decisions’ (1996: 39). John Naisbitt, in a similar vein, claimed that ‘the nation-state is dead’ (1994: 43). He explains that ‘not because states were
subsumed by super-states, but because they are breaking up into smaller, more efficient parts—just like big companies...As we move toward linking up millions of host computer networks, countries will become irrelevant and begin to fade away' (1994: 58).

Other more moderate globalists, instead of dismissing the state, challenge the traditional conception of states and statehood, i.e., sovereignty and legitimacy, by arguing that national governments are deeply embedded in systems of multilayered economic governance, and that their role and power continue to be qualified decisively by economic globalisation (Reich 1991, Sassen 1996, Rosenau 1997). For example, Sassen has argued that 'globalisation [particularly] the formation of a new economic system centred on cross-border flows and global telecommunication...has entailed a partial denationalising of national territory and a partial shift of some components of states sovereignty to other institutions, from supranational entities to the global capital market' and 'this would represent a transformation in the articulation of sovereignty and territory as they have marked the formation of the modern state and interstate system' (1996: xi). Rosenau has also pointed out that 'the authority, effectiveness, and sovereignty of states are under severe strain, the ramifications for global governance are enormous' (1997: 363); nonetheless, he added, 'state sovereignty has eroded, but it is still vigorously asserted. Governments are weaker, but they still possess considerable resources and they can still throw their weight around' (Rosenau, 1998: 3).

Additionally, in contrast to internationalists who view regionalisation as 'triadisation' of three major blocs of powerful states, globalists perceive regionalisation as complementary to globalisation. As Hettne argued, 'globalisation and regionalisation can be seen as complementary processes, modifying each other, in the formation of a new world order...world regions rather than nation-states may in fact constitute basic units in a future multilateral world order' (2000: 156). Therefore, as Held and McGrew (2000: 12) conclude, for globalists 'national government is increasingly locked into a multilayered system of
governance – local, national, regional and global – and can barely monitor it, let alone stay in command'. Hence, markets have been the most dominant forces in such a globalising world.

Viewed as two opposite ends of the spectrum, both internationalists and globalists (particularly hyper globalists), offer a rather limited understanding of the roles of states. This is because they seem to view states as either 'persisting' (for internationalists) or 'declining/weakening' (for globalists) and even 'disappearing' (for hyper globalists) during the process of globalisation. It is, however, possible to propose a middle way, which enables an alternative analysis of the 'changing/modifying' roles of states in the international political economy.

1.4 'THE MIDDLE WAY' APPROACH OF SUSAN STRANGE

Instead of taking one of the opposing positions discussed so far (i.e. realists/internationalists or economic liberals/globalists) this thesis proposes Susan Strange’s structural approach as an alternative explanation of the 'changes' in the world political economy since the 1970s, particularly after the end of the Cold War and in the context of the on-going process of globalisation. As Tooze and May noted, ‘Susan Strange was...concerned to make sense of the myriad changes and developments in the global political economy in ways that could be communicated and shared’ (2002: 4). By refuting hyper globalism/liberalism without turning to internationalism/realism, Strange’s approach tends to bridge the gap between differing conceptualisations on the role of the state. Such a perspective makes possible the analysis of state-roles as ‘modified’, instead of ‘persistent’ (internationalists) or ‘disappearing’ (hyper-globalists), in the changing international political economy.

Opposed to both realist and liberal views, Strange’s approach questions not only the validity of realist state-centric approaches to international relations but also the credentials of

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15 According to Palan (1992), Susan Strange was ‘the second structuralist’. The first structuralists were the Waltzian realists who interpreted change in international relations in terms of the shifts in state power between states. The second structuralists are international political economists who interpret change in world politics in terms of shifts in structural power over outcomes in world society and economy (Palan, 1992, quoted by Strange, 2000, note 9: 89).
Strange (2000: 83) explicitly argued that 'it is no good looking to theories of international relations... nor is it any good looking for help from neo-liberal economics in understanding globalisation' and 'there is little in conventional theory to help us come to terms with such developments'.

While rejecting the realist assumption that the state is the sole source of authority in the global political economy, unlike economic liberals, Strange did not say that states are obsolete, or that MNCs are replacing them. Rather, she emphasised 'changes' and particularly argued for 'structural changes' in the international political economy, which for her were 'changing the character of the state and of the state system- and changing them rather rapidly and fundamentally' (1994a: 212).

1.4.1 Structural Changes and A New Diplomacy

The changes in the international political economy identified by Strange include: 'structural changes' (Strange, 1992:2) in the world economy, an emergence of the new diplomacy with an increasing importance of non-state actors (Stopford and Strange, 1991) and 'important shifts in the quality as well as quantity of state power and authority' (Strange, 1996 cited by Scholte, 1997: 428); all these changes led to 'differentiated' and 'modified' roles of states in the global political economy.

According to Stopford and Strange in their book *Rival States, Rival Firms*, the crucial structural changes in the international political economy have been both political and economic. For instance, politically these alterations have been instanced by the melting of the Cold War confrontation, the disintegration of the Soviet Union and its empire, and the drive for multiparty democracy and national self-determination not only in Europe but in many developing countries. In the economic sphere these changes are exemplified by the drives towards deregulation in developed countries and towards privatisation in most countries around the world (1991: 205). As Strange further pointed out, the driving forces of these structural changes in terms of economics are: i) the accelerating rate and cost of technological
change which has speeded up in its turn the internationalisation of production and the
dispersion of manufacturing industry to newly industrialised countries; ii) increased capital
mobility which has made this dispersion of industry both faster and easier; and iii) changes in
the structure of knowledge which have made transnational communications cheap and fast
and have raised people’s awareness of the potential for material betterment in a market
economy (1992: 2-3).

As a consequence of these structural changes, there has also been ‘a fundamental
change in the nature of diplomacy’ (1992:1), producing a new kind of diplomacy called
‘Triangular Diplomacy’ (Stopford and Strange, 1991: 22). It adds two new dimensions to the
traditional state-state type of diplomacy: (i) the bargaining between governments and firms,
especially MNCs; and (ii) bargaining among firms. Within this new kind of diplomacy, the
importance of firms as major actors in the world system is explicitly emphasised (Stopford
and Strange, 1991; Strange, 1992: 10).16

Nonetheless, while recognising the increasing significance of non-state actors—
particularly firms—in the global political economy, Strange did not dismiss the roles of states.
In States and Markets, Strange (1994b) suggests further the interrelations between states and
markets by detailing four kinds of ‘structural power’—‘security, production, finance, and
knowledge’. She argues that in only one of these four aspects did states take the leading role—
security (and even then they often needed the support of other states). In the exercise of all
other kinds of structural power, non-state actors played a large part in determining ‘who-gets-
what’.

Rather than simply replacing the roles of states with new and stronger roles of non-
states, especially firms, Strange emphasises the ‘fundamental change in the economic base of
the world of states, in the power and even possibly the legitimacy of the state’ (1994a: 210).
Furthermore, she argues that ‘states themselves have taken decisions that augment the power

16 The model of Triangular Diplomacy will be discussed in detail later on in this chapter.
of markets over governments' and 'they have decided that survival as an individual may require adapting to new circumstances and new forces of change; and adapting may require a limitation of autonomy as the price of survival' (Strange, 2000: 85). This means that Strange's approach gives a particular focus on the 'modified' roles of states in the changing global political economy.

1.4.2 Strange's Approach and the EU

While recognising the increasing importance of non-state actors in the world economy, Strange's approach suggests not only the roles played by firms, but also by other types of non-state actors, including mafia, international organisations, regional organisations and international bureaucracies, including the EU (Strange, 1996). Thus, the model of Triangular Diplomacy emphasises that 'changes in the world system are, to be sure, the product of a myriad of actions by all actors, whether individuals, firms, states or intergovernmental bodies...Taken together, their actions have limited the independent options for states during the last two decades or so' (Stopford and Strange, 1991: 204).

In *The Retreat of the State*, Strange explicitly argued that 'the declining authority of states is reflected in a growing diffusion of authority to other institutions and associations, and to local and regional bodies' (1996: 4). Such diffusion of power in the world economy also includes the diffusion of state authority towards regional bodies, like the EU. As she stressed, 'we have to escape and resist the state-centrism inherent in the analysis of conventional international relations...The study of globalisation has to embrace the study of the behaviour of firms no less than of other forms of political authority' (1999: 354). This suggestion recognises not only firms but also other non-state and quasi-state actors, including the EU, as new actors (in their own right) alongside states in the global political economy.

Strange hinted at this proposition when she later acknowledged that rather than *States and Markets* she should have titled her book *Authority and Markets* as she wanted to include all forms of authority, whether located in the state, international institutions, corporations or...
the markets themselves, and not just the state. This submission encapsulates her focus on the fundamental relationship of politics and economics, on authority and markets (Tooze and May, 2002: 6).

However, Strange perceives the EU as an ‘extreme case’ and unlike other large multilateral organisations like the United Nations (UN) or the World Bank. She doubted the extent to which ‘authority has significantly moved from national capitals to the central institutions of the EC’ and ‘if the Member States of the EU or Community really have institutionalised policy coordination amongst themselves’ (1996: 171). In fact, Stopford and Strange had also addressed the EU’s statehood problem that ‘[in the EU] there are problems of defining the state’ (1991: 57). This idiosyncrasy of the EU polity points not only to its problematic structure, but also suggests that a divergence of Member State interests make it a distinctive actor in the global political economy. This query into the transfer of authority from nation-states to EU institutions raises another crucial question about the nature of the EU as a quasi-state actor in the global political economy, which is also a central concern of this thesis. This ambiguous status of the EU will be dealt with in Chapter 2 when analysing the EU as a commercial actor and its commercial diplomacy.

After this overview of the approach developed by Strange, the following section of this chapter focuses specifically on the model of ‘Triangular Diplomacy’ proposed by Stopford and Strange in 1991 in their book *Rival States, Rival Firms*.

1.5 ‘TRIANGULAR DIPLOMACY’

Seen as a crucial part of Strange’s approach, the ‘Triangular Diplomacy’ model proposed by John Stopford and Susan Strange is recognised as a classic theoretical explanation for the understanding of ‘the mutual interdependence of states and firms’ (1991:1) in the global political economy. Rather than believing in the old type of diplomacy (i.e. state-state relations) Stopford and Strange made the case for a ‘new “Triangular Diplomacy” where the traditional players have been joined by members of other government ministries and by the
executives of firms, both local and multinational' (1991: 21). This new diplomacy is a net result of global structural changes already discussed earlier, which 'have exerted a dominant influence on the behaviour of governments and firms and pushed firms more centre-stage' (1991: 3).

Triangular Diplomacy when proposed offered a new research agenda in international relations: the study of firms as actors in world politics and of state-firm and firm-firm bargaining as two new dimensions to diplomacy. It maintained that in the process of bargaining and negotiation between states and firms 'no longer can national boundaries define the rules, for the game is now one where negotiation and action is carried out on triangular basis' (Stopford and Strange, 1991: 21). This classic argument on 'bargaining between host governments and foreign enterprises' (1991:22) can be understood in its most simple form by the triad of relationships, shown in Figure 1.1. The two major actors - states and firms - produce three dimensions of the game, comprising state-state, state-firm, and firm-firm relations. In addition to the old side of state-state diplomacy, 'the other two sides of the triangle are just as important in deciding all the who-gets-what questions basic to the study of any kind of politics' (Strange, 1994a: 211).

Figure 1.1: Triads of Relationship in Triangular Diplomacy

![Triangular Diplomacy Diagram](source: Stopford and Strange, 1991: 22)
Triangular Diplomacy differs from either the realist type of state-state diplomacy or the liberal market driven type as it is structured not by the actions of either firms or states alone but by complex, dynamic interactions between the two sets of actors. In the above Triads of relationships, Stopford and Strange emphasised ‘[an] asymmetry in the relative importance of the three sides of the triangle’ (1991: 22) which is illustrated through the use of arrows which point towards each other, indicating asymmetric interaction both within and between the three relationships of Triangular Diplomacy. This interrelationship between states and firms indicates that ‘we could not understand much of what had been decided and done without explicitly taking into account shifts elsewhere; if one looks at only one side of the triangle, one misses important factors’ (1991: 23).

There can be identified three asymmetric dimensions within Stopford and Strange’s Triangular Diplomacy: state-state relations, state-firm relations, and firm-firm relations.

The first dimension is the traditional form of state-state diplomacy, in which the state used to compete for power over territory. However, Stopford and Strange argued that the nature of the competition between states had changed: the state had lost interest in the acquisition of more territory, but ‘states are now competing more for the means to create wealth within their territory than for power over territory’ (1991: 1). This implies the new fact that macroeconomic management and industrial policies may be more important for governments than conventional foreign policy.

The second dimension is state-firm relations. As a result of structural changes in the world economy, this new and crucial dimension of state-firm diplomacy has emerged. As Stopford and Strange argued, ‘no longer do states merely negotiate among themselves; they now must also negotiate – if not as supplicants then certainly as suitors seeking a marriage settlement – with foreign firms’ (1991: 2). This means that governments are obliged, as never before, to bargain with firms for their economic success and survival, simply because it is the
transnational enterprises that have control over the technology, the privileged access to capital, and the established entry to rich markets that states need, and must have. Equally a product of structural changes noted earlier is the bargaining that goes on between firms.

The third dimension is thus firm-firm diplomacy. According to Stopford and Strange, 'multinational firms themselves are increasingly having to become more statesmanlike as they seek corporate alliances, permanent, partial or temporary, to enhance their combined capacities to compete with others for world market shares' (1991: 2). This is because intensified global competition pushes them to collaborate with each other and pool resources and innovations. Thus, firms now have to bargain and make strategic alliances with other firms – again because of the accelerating pace and rising costs of technological change.

Despite three significant dimensions within Stopford and Strange’s model, Triangular Diplomacy is particularly seen as a model contributing to the understanding of the process of state-firm bargaining in the global political economy, and it also emphasises the increasing importance of firms bargaining alongside states as actors in the world politics, while not dismissing the roles of states. The concern of this thesis is primarily with the ways in which a quasi-state actor – the EU – develops a strategy for supporting firms and engaging with them in the global political economy. Hence, this chapter focuses particularly on exploring state-firm relations, particularly on the ‘differentiated’ and ‘modified’ roles of states (or quasi-states) in the changing global political economy.

1.5.1 Differentiated Roles of States in Triangular Diplomacy

While Stopford and Strange challenged the realist state-centric view by arguing for the increasing importance of firms as actors/participants in world politics, they at the same time rejected globalist views by arguing that Ohmae’s (1990) view of a ‘borderless’ world was ‘perhaps no more than a portent of the long-run future’; rather ‘governments, both host and home, continue to play a crucial, and perhaps paradoxically, an increasing role’ (1991: 7).

17 While acknowledging the importance of the other two dimensions of Triangular Diplomacy, state-state relations and firm-firm relations, this chapter does not aim to analyse them.
Following this approach, the roles of states in Triangular Diplomacy are not seen as ‘unchanged’ (realists) or ‘defunct’ (hyper globalist), but ‘modified’. Some major characteristics of the roles of states in Triangular Diplomacy can be identified as follows:

First, in Triangular Diplomacy, the roles of states seem to be ‘modified’ towards more economic-oriented roles. This idea of the modified roles of the state in Triangular Diplomacy unsurprisingly follows the same line of Strange’s structural approach discussed earlier. As Stopford and Strange argued, ‘the new game of competing for world market shares alters the order of importance of the functions of the states...In most states the economic functions of the state become more important and more powerful’ (1991: 56). Moreover, ‘most states have become more directly engaged in the competition for shares of the world’s wealth, and not solely concerned in their foreign policy with power’ and ‘they have therefore adjusted their frameworks of thought and priority for allocating national resources in ways that promote the accumulation of wealth-creating resources’ (1991:204). This indicates that the traditional roles of the state (as stipulated by realists) have been undergoing important transformation and that the state both required and acquired new roles in correspondence with the increasing importance of firms in the global arena. Taking into account these adjustments, such ‘modifications’ in the roles of the state indicate that firms are being understood as ‘allies, whether liked or not’ (1991: 211).

Secondly, the model of Triangular Diplomacy suggests that states have different capacities. Stopford and Strange noted that some states are manifestly better positioned than others to use their power and resources in this game of state-firm diplomacy. For instance, they show that ‘small, poor countries face increased barriers to entry in industries most subject to global forces of competition. They must look to their investments in skills as a primary means of hooking into the growing international systems and avoiding constant relegation to the periphery of investor’s concerns’ (1991:2). At the same time, however, Stopford and Strange point that ‘the (politically) strong state is less effective in international
competition than the shrewd states’ (1991: 217). This indicates that variations in state
capacity are crucial to Triangular Diplomacy.

Thirdly, and more importantly, the model of Triangular Diplomacy seems to allocate
states ‘defensive’ roles. It has to be stressed that Stopford and Strange particularly refer to
‘host-states’ or ‘host-governments’ of developing states, bargaining with foreign-owned firms
or foreign investors (mostly from developed and advanced-industrialised economies). In this
context, they use the model of Triangular Diplomacy to investigate the cases of the host-
governments in three developing countries (Kenya, Malaysia and Brazil) bargaining with
foreign-owned firms. Therefore, the roles played by states in the Triangular Diplomacy model
seem to be rather defensive. This means that governments tend to perceive ‘themselves as
cought between an upper millstone of structural changes that forces them to compete for
world market shares and the nether millstone of their dependence for survival both on foreign
investors and on local political support’ (1991: 203). This defensive nature of states in
Stopford and Strange’s model of Triangular Diplomacy is reflected through their image of a
government as a ‘gardener, each with his patch of ground’ (1991: 210). Stopford and Strange
insisted that ‘the gardener’s prime concern used to be the fencing: to protect the plants, it had
to be secure enough to keep marauders out...even today, fences are not totally obsolete; many
gardeners still need them’ (1991:210). This metaphor of states as ‘gardener/fence-keeper’
implies that, for them, states somehow still have to defend themselves (their markets as well
as their local firms) against outsiders (foreign firms) in the world economy.

At the same time, however, Stopford and Strange maintain that ‘most gardeners now
pay more attention to husbandry, to improving the water supply, to enhancing the fertility of
the soil, and to keeping a proper balance of sun and shade so that small plants grow bigger
and established plants produce more and better flowers and heavier crops’ (1991: 210, 211).
And, ‘forward-looking gardeners are now learning about becoming good husbandmen rather
than effective fence-keepers’ (1991: 211). This seems to suggest that states in Triangular

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Diplomacy are not only involved in the production of defensive ramparts for the protection from foreign-owned firms and investors, but that they are also engaged in bargaining with and attracting foreign firms to invest in their markets in order to get the value-added produced on their territory and not elsewhere. More importantly, the issue of 'competitiveness' (which came to prominence during the 1990s) is also implicated by the state-firm relationship depicted by the model of Triangular Diplomacy. As Stopford and Strange (1991: 1) emphasise, states are competing for world market shares as the means to wealth and survival.

The three characteristics of the roles of states discussed earlier have shown that the roles and functions of states in Triangular Diplomacy can be considered 'differentiated' from either the realist/internationalist or the liberal/globalist perspectives. The model of Triangular Diplomacy emphasises that states have modified their roles and adjusted their functions to the new global environment. This also means not only states but also other non-state actors participate on more equal terms in the global political economy; this thus results in a differentiation in the role of the state and a redefinition of state-functions in the global political economy.

Crucially, the model of Triangular Diplomacy has also opened the door for analysing the variations in the forms of the state as well as introducing the possibility for examining the impact of a quasi-state actor such as the EU on the world economy. In contrast to the traditional realist state-centric views, in the new game of Triangular Diplomacy states do not possess primacy anymore; rather they 'have become more directly engaged in the competition for a share of world wealth, and not solely concerned about their foreign policy with power' (1991: 204) and thus they play their new roles alongside both non-state and quasi-state actors in the pursuit of wealth and competitiveness in the global political economy.

1.6 FROM 'DEFENSIVE' TO 'PROACTIVE' ROLE OF STATES

Mutual relations between states and firms are seen as an essential element in Stopford and Strange's model of Triangular Diplomacy. As already noted, the original version of
Triangular Diplomacy was used by Stopford and Strange to investigate the relationships between host-states from developing countries and foreign-owned firms (mostly from developed or advanced-industrialised countries). It thus seems to suggest a rather defensive role for these host-states. This thesis aims to broaden the investigation of state-firm relations by injecting the idea of mutual relations between states and firms, or more generally the IPE approach, into EU commercial diplomacy. This also means taking the model of Triangular Diplomacy forward and investigating the relationships between the EU (which is an advanced-industrialised quasi-state economy) and the European businesses and firms, particularly in relation to the emerging economies of Asia. Consequently, this thesis takes into account the proactive role of the state (or quasi-state) in state (quasi-state)-firm relations. In this way, it adds to the rather defensive roles explored by Stopford and Strange in their original investigation of Triangular Diplomacy.

This chapter details three conceptualisations of the proactive role played by states in the state-firm relations: (i) Philip Cerny’s idea of the ‘competition state’, (ii) Linda Weiss’s theory of ‘catalytic state’, and (iii) John Dunning’s concept of ‘Confrontation to Cooperation’ producing what can be termed the ‘cooperation state’. These three positive perspectives on the role of states can be seen not only as complementary but also value-added to Stopford and Strange’s Triangular Diplomacy model.

1.6.1 The Rise of the ‘Competition State’

The first conceptualisation of the proactive role played by states is Cerny’s notion of the ‘competition state’ (1990; 2000c: 301-305). Cerny argued that had there been a slow erosion of the ‘industrial welfare state’\(^\text{18}\), moving it towards the form of the ‘competition state’ that:

\[^{18}\text{For Cerny (2000c: 301), 'the essence of the postwar national industrial and welfare state lay in the capacity that state actors and institutions had gained, especially since the Great Depression, in insulating certain key elements of economic life from market forces while promoting other aspects of the market. These mechanisms did not merely mean protecting the poor and helpless and pursuing welfare goals like full employment or public health, but also regulating business in the public interest, 'fine-tuning' business cycles to promote economic growth, nurturing 'strategic industries' and 'national champions', integrating labour movements into corporatist processes to promote wage stability and labour discipline,...and the like'}.\]
'today, rather than attempt to take certain economic activities out of the market – to “decommodify” them as the welfare state was organised to do – the competition state has pursued increased marketisation to make economic activities located within the national territory, or that otherwise contribute to national wealth, more competitive in international and transnational terms’ (1990; 2000c: 301). Therefore, the state ‘must act more and more as a collective commodifying agent (i.e. putting activities into the market) and even as a market actor itself’ (2000c: 305). States, therefore, for reasons of domestic economic and political objectives (including capturing the benefits of globalisation for coalition-building purposes) seek to convince (or pressure) other states and transnational actors such as MNCs or international institutions to adopt measures which shift the balance of competitive advantage towards their domestic constituents (2000a). Therefore, for Cerny, the state can act as ‘financier, middleman, advocate, and even entrepreneur in a complex economic web where not only do the frontiers between state and market become blurred, but also where their cross-cutting structures become closely intertwined and their behavioural modes become less and less easy to distinguish’ (2000c: 305).

The rise of the ‘competition state’ as proposed by Cerny complements the model of Triangular Diplomacy proposed by Stopford and Strange. Importantly, while studying the pursuit of competitiveness by states, Cerny (2000c: 306) acknowledged that they ‘are becoming more involved in Stopford and Strange’s Triangular Diplomacy’. However, Cerny (2000c: 306) argued that the Triangular Diplomacy concept ‘must be widened further’ and that ‘complex globalisation has to be seen as a structure involving (at least) three-level games, with third level (transnational) games including not only firm-firm diplomacy but also transgovernmental networks and policy communities, internationalised market structures, transnational cause groups, and many other linked and interpenetrated markets, hierarchies, and networks’. Cerny’s argument thus represents a basis on which to include the EU into the Triangular Diplomacy-model. It also allows us to identify a number of EU-business
transgovernmental dialogues and networking, which the EU has created and in which it is actively involved, and to include them in the pattern of Triangular Diplomacy.\textsuperscript{19}

1.6.2 The ‘Catalytic State’ and the ‘State Capacity’ Concept

Linda Weiss (1998) proposed the concept of the ‘catalytic state’ as an aid to understanding the role played by states in the process of globalisation. Weiss argued that ‘we are now witnessing the end of an era marked by the integral state, with assured territorial control over the means of legitimacy, security, and production....But in place of the integral state we are now witnessing the rise of the catalytic state’ (1998: 209).

According to Weiss, ‘catalytic states’ are states which are ‘consolidating national and regional networks of trade and investment and strengthening partnerships with other (state and non-state) power actors’ (1998: 209). She borrowed the term ‘catalytic state’ from Michael Lind, who insisted that ‘as a catalyst, this kind of state is one that seeks to be indispensable to the success or direction of particular strategic coalitions while remaining substantially independent from the other elements of the coalition, whether they are other governments, firm, or even foreign and domestic populations’ (1992: 3, quoted by Weiss, 1998: 209).

In the process of globalisation, while internationalists often view globalisation as the enemy of state power, Weiss (1998: 208) in contrast points out that ‘a number of states are seeking directly to promote and encourage rather than constrain the internationalisation of corporate activity in trade, investment, and production’. These states are recognised by Weiss as ‘catalytic states’ who ‘seek adaptation to new challenges, e.g. internationalisation by forging or strengthening partnerships with other (state and non-state) power actors, rather than going it alone’ (Weiss, 1998: 211). In a similar vein to the conceptualisation of states in the model of Triangular Diplomacy, Weiss’s catalytic states also ‘adapt their functions’ (Weiss, 1998: 211).

\footnote{An analysis of the EU in Triangular Diplomacy and the use of transgovernmental dialogue and networking to engage business will be undertaken in Chapter 2, particularly in a section on business engagement, and Chapter 4 on the detailed investigation of Asia-Europe Business Forum (AEBF), an EU-business alliance as part of the ASEM process.}
1998: xi) but in a more positive way – i.e. through ‘tighter rather than looser connection with
economic actors’ (Weiss, 1998: xi). Therefore, Weiss’s conceptualisation of catalytic states
undoubtedly reflects a more positive view of the roles of states in the global political
economy. And, as we shall see, the EU seems to perform a number of these catalytic roles
described by Weiss.

Moreover, Weiss also introduced the ‘state capacity’ concept by arguing that ‘some
nation-states are notably more successful than others in anticipating and responding to
economic change’ (1998: 4). She emphasised that while competitive advantage lies at the
heart of the state capacity concept, ‘transformative’ capacity – the ability of the state to
coordinate industrial change to meet the changing context of international competition – is
also crucial (Weiss, 1998: 5-7). This focus on the different capacities of states in the global
political economy proposed by Weiss can be also linked to Stopford and Strange’s (1991: 2,
217) argument about variations of state capacity in Triangular Diplomacy, mentioned earlier.

More importantly, Weiss added that in the globalisation process ‘strong states act as
Industrialised Countries (NICs) adapt to external pressures for change by pursuing
internationalisation strategies in collaboration with their business sectors. Weiss used the
Japanese case to provide a useful example of how a government itself may be part of the
globalisation process playing a facilitator role, arguing that for Japanese government
‘internationalisation is [thus] a key strategy of bureaucracy, implemented through agencies
such as Ministry of International Trade and Industry (MITI) through its variety of strategies
and tools’ (1998: 205). These strategies of catalytic states which were examined by Weiss
through the cases studies of Japan and other NICs will be useful when analysing later the role
of the EU in global political economy, and particularly in commercial diplomacy.

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In 2001, MITI was reorganised and changed its name to the Ministry of Economy, Trade and Industry (METI) (METI website at www.meti.go.jp).
1.6.3 ‘Confrontation to Cooperation’ and the ‘Cooperation State’

John Dunning (1992, 1993a, 1993b) examined government-Multinational Enterprise (MNE) relations in the light of new theories of international competitiveness. He proposed the concept of ‘confrontation to cooperation’ (1993b), which offers a positive view of state-firm relations. The concept of ‘confrontation to cooperation’ focuses on the changing nature of ‘systemic interactions’ between governments, as they promote national welfare, and MNEs, as they seek global profits, by arguing that there has been a shift away from state regulation to co-operation with MNEs as a result of the new competitiveness agenda adopted by nation-states (1993b: 59), hence producing what can be termed the ‘cooperation state’.

According to Dunning, ‘perhaps the most striking development which has affected government attitudes and policies towards MNEs since the 1980s has been the globalisation of the world economy’ (1993b: 69). Dunning argued that since the 1980s there has been a change in the economic focus of many nation-states and ‘the increasing need to be competitive in global markets, or with foreign firms in domestic markets, has become a major catalyst for action’ (1993b: 70). In the 1990s, competition in the world economy ‘shows itself both in the attempts by many governments to attract inward direct investment to help enhance their indigenous innovatory capacity, and to improve the competitiveness capabilities of their own MNEs in foreign market’ (1993b: 72). This means inward and outward Foreign Direct Investment (FDI) can be seen as complementary to domestic investment. As a result, governments are starting to play a proactive role in upgrading industry resources and capabilities, thus enabling more cooperative and positive policies towards MNEs.

In this respect, Dunning gave Western Europe (with the prospects of the completion of the internal market in 1992), and the newly industrialised developing countries, especially East Asia (with their high growth rate), as examples. He argued that ‘such inroads into the markets of the leading industrial nations have led governments of these countries to reconsider the factors influencing the competitiveness of their own resources and
competences; and to judge the contribution of MNEs in this light’ (1993b: 70). Viewed in this context, both the EU’s commercial strategies during the 1990s, which reflect both an increasing concern with the issue of European competitiveness in the global political economy and the emergence of new commercial strategies to engage and support their firms to compete in the world economy (See Chapter 2), fit into Dunning’s concept of ‘confrontation to cooperation’. The increasing level of competition in the world economy and the changing role of states as ‘enablers and sustainers of wealth-creating activities’ (Dunning, 1993b: 70) implied by the concept of ‘confrontation to cooperation’ are compatible with the model of Triangular Diplomacy. Yet, the ‘cooperation state’ makes visible a more proactive aspect of the roles of states.

It is possible to conclude, therefore, that these three conceptualisations of a more proactive role for states — Cerny’s ‘competition state’ and Weiss’s ‘catalytic state’ and Dunning’s ‘cooperation state’, — rely mainly on the analysis of industrialised developed countries. Hence, they are seen as a useful framework contributing to the analysis of the EU as a commercial actor and its commercial and business engagement strategies towards Asia since the mid-1990s.

1.7 CONCLUSION

The roles of states and markets in IPE have long been contested. This chapter has examined the debate on the roles of states and firms in the changing international political economy and particularly in the globalisation process from two contrasting approaches: realist/internationalist and liberal/globalist, which represent two different ends of the spectrum. While realism and internationalism view the primary roles of states as being ‘persistent’ and firms as operating within the rubric of state policies, on the other hand, economic liberalism and globalism view the roles of states as ‘declining/weakening’, or even ‘disappearing’ (for some hyper globalists) with firms or other organisations replacing them.
Rather than seeing states as either unchanged or as defunct, this chapter has examined Susan Strange's structural approach as a middle way to bridge the divide between realism/internationalism and liberalism/globalism. Particular attention has been paid to Stopford and Strange's Triangular Diplomacy—a new diplomacy of bargaining relations between states and firms. The chapter has taken Strange's approach and particularly Stopford and Strange's idea of Triangular Diplomacy as a useful source of questions for the thesis as it best facilitates the understanding of changes in the global political economy after the end of the Cold War in two ways:

First, Strange's approach offers a useful explanation of structural changes in the world political economy and can be seen as an alternative approach (from either realism/internationalism or liberalism/globalism) for understanding the increasing importance of non-state actors, while keeping in mind the important roles played by states. Rather, it offers an analysis of 'differentiated' roles of states in the changing global political economy. The model of Triangular Diplomacy suggests that the roles of states are being 'modified' and that states have been given a number of new functions (i.e., negotiating and bargaining with firms and other non-state actors). Such understanding points to a significant 'redefinition' of state-functions in the global political economy; yet not to the end of statehood.

Second, while challenging state-centric views that statehood is the only criterion for participation in the world political economy, Strange's approach opens the door for an analysis of both non-state and quasi-state authorities as participants in the global political economy alongside states. This, therefore, enables us to recognise the EU as a participant (in its own right) in the global political economy, though it is not a state in traditional statehood terms.

While seeing the Triangular Diplomacy model as a source of questions about the EU, this chapter has given a particular significance to the analysis of state (in this case quasi-state)-firm relations, only one dimension of Triangular Diplomacy. The chapter also reveals
the complementarities between the arguments proffered by Stopford and Strange, on the one hand, Cerny’s idea of the ‘competition state’ (2000c), Weiss’s theory of ‘catalytic state’ (1998) and Dunning’s concept of ‘confrontation to cooperation’ (1993b), on the other. While the states in the original Triangular Diplomacy model seem to perform rather defensive roles as they represent the bargaining relations between host-states/governments of developing countries and foreign-owned firms, the arguments in Cerny’s ‘competition state’, Weiss ‘catalytic state’ and Dunning’s concept of ‘cooperation state’ refer mainly to the relations between advanced industrialised states and firms. These positive conceptualisations of the proactive roles of states will be useful to understand the EU — as a quasi-state commercial actor — and its commercial and business engagement strategies analysed in Chapter 2.
Chapter 2

The EU's Commercial Diplomacy and Business Engagement

2.1 INTRODUCTION

The EU has undoubtedly become a formidable player in the post-Cold War international economic order. Although the EU's international status is ambiguous (Hill, 1993), it is indisputable that the EU ranks alongside the most powerful economic and political groupings in the world arena (Piening, 1997). The previous chapter has laid the theoretical ground for including non-states as well as quasi-states like the EU as actors in the global political economy alongside states, by exploring Stopford and Strange's idea of Triangular Diplomacy - a new kind of diplomacy centred on trilateral bargaining relationships between states and firms and other ideas about the proactive role of the state in state-firm diplomacy. This chapter takes the argument forward by arguing that the EU (although it is not a state) has also joined the state-firm interaction in this new pattern of diplomacy.

Central to this chapter is an exploration of the EU's commercial diplomacy and its strategies for engagement of businesses and firms. It is argued that the EU is not only a commercial actor bargaining alongside, or on behalf of, its Member States' governments, but that it also plays a distinctive part through its own strategies, i.e., cooperating, bargaining, and networking both with firms and other host governments, through its commercial policy framework. In other words, this chapter aims to set a framework for analysing the EU's commercial instruments, strategies and roles against the background of state-firm relations in the global political economy.

The required qualification is that the EU presents a special case as it is not a state. The first part of this chapter focuses on the EU's statehood problem and its 'statelike functions' (Laffan, O'Donnell and Smith, 1999: 52), which result in unique characteristics for the EU as a commercial actor in the global political economy. In this respect, rather than 'sovereignty',
'recognition' and 'control' respectively which are qualifications of statehood, the EU's commercial diplomacy should be analysed through three credentials of 'autonomy', 'representation' and 'influence' (Hocking and Smith, 1995, chapter 5) – basic qualifications in which the EU performs some significant state functions, particularly under the First Pillar of the European Community.

The second part of this chapter focuses more on an investigation of the EU's strategies in engaging businesses and firms, which have become increasingly evident as part of the EU's overall commercial diplomacy since the mid-1990s. While examining different types of EU business engagement strategies, namely market access, business dialogue and networking, economic co-operation programmes, and the role of the European Commission Delegations in third countries, the chapter notices some proactive roles performed by the EU – comparable to those of ‘competition state’, ‘catalytic state’, and ‘cooperation state’ – in relation to business and firms.

2.2 THE EU AS AN ACTOR IN GLOBAL POLITICAL ECONOMY: PERFORMER OF STATE-FUNCTIONS

There has been a long debate about the nature of the EU, its statehood problem and the extent to which the EU can or should be seen as a form of 'state'. Many attempts have been made to define the status of the EU. While not displaying the traditional features of the 'state' (as normally understood by realists), the EU has been variously defined as: a 'system of multi-level governance' (Marks, Hooghe and Blank, 1996), a 'political system, but not a state' (Hix, 1999), a 'policy-making state' (Richardson, 1996), a 'regulatory state' (Majone, 1996), a 'trading state' (Caporaso 1996), or an 'incomplete political system' which is neither a state, nor a straightforward supranational organisation nor an intergovernmental regime (Wallace, 1996: 451).

Despite its contested nature, it is indisputable that the EU does have its international 'presence' (Allen and Smith, 1991). In the words of Allen and Smith, 'presence is a feature or
a quality of arenas, of issue-areas or of networks of activity, and it operates to influence the actions and expectations of participants' (1991: 97). This concept of 'presence' explicitly challenges traditional state-centred images of the international system as it 'permit[s]
consideration and analysis of forces in the international arena without committing the analyst to a state-centric or actor-centric version of international processes' (1991: 98). Crucially, it also enables an analysis of the EU as an international 'actor' in the global political economy. This in turn indicates the fact that in the international system after the end of the Cold War statehood is often seen not only as the qualification for entry onto the world stage, and as the quality that enables its possessors to act effectively in the world political process, but that there are powerful challenges to this notion, and alternative conceptualisations that focus on less formal and restrictive qualifications for 'actorness' (Laffan, O'Donnell and Smith, 1999: 168). Therefore, as suggested in Laffan, O'Donnell and Smith (1999: 171), 'the standard of classical statehood is inappropriate to judging the international role and impact of the EU'. Instead, 'softer qualifications' such as 'autonomy rather than sovereignty, representation rather than recognition, influence rather than control' (1999: 168) are also relevant qualifications for actors to participate in the world arena.

In this respect, Hocking and Smith (1995, Chapter 5) argue that while traditional terms of statehood are not irrelevant, they need to be supplemented with others that reflect the more complex and fluid reality of the post-Cold War era. Sovereignty is often not as important as autonomy – a property that can be possessed by a wide range of organisations including but not restricted to states and their governments. Recognition may not be as important as representation – the capacity to act on behalf of an interest or a cluster of interests in the world arena, including but not restricted to those of states and governments. Control of the kind implied by sovereign statehood may be less significant in many situations than the ability to exert influence by appropriate forms of mobilisation and communication.
Consequently, this chapter argues that, although it is not a state in conventional terms, the EU is undoubtedly recognised as an international actor and a valid participant in the global political economy. Adopting the perspective of 'soft' qualifications (i.e. of 'autonomy', 'representation' and 'influence') the claim here is that the EU exercises 'statelike functions' (Laffan, O'Donnel and Smith, 1999: 52) particularly in its economic and commercial diplomacy under the First Pillar. As Smith argued, the EU's 'statelike' roles can be explicitly seen in the First Pillar of the EU (1994a, 1994b); however, it has to be acknowledged that in the area of foreign and security policy it seems to be more difficult 'to separate the notion of foreign policy from the idea of a state with a set of interests identified by a government' (Allen, 1996: 303) and in this area the EU's statelike features are not so well developed. While recognising the linkage between political and economic issues in the EU's external relations, it is not the purpose of this thesis to provide an analysis of the EU as a political actor; rather it focuses on the EU as an economic and commercial actor and only on the First Pillar or Economic Pillar of the EU, in which the EU's statelike features seem to be more evident.

On the basis of a 'redefinition of state-functions' and 'differentiated' roles of states in the global political economy already argued in Chapter 1, this chapter maintains that the EU is performing state-functions in the area of economic and commercial diplomacy (or the First Pillar), and is thus a formidable statelike actor in the global political economy. Next, the chapter explores to what extent and how the EU performs these state-functions and what distinguishes the EU's commercial roles from other states in the global political economy.

2.3 THE EU'S COMMERCIAL DIPLOMACY: AUTONOMY, REPRESENTATION, AND INFLUENCE

As already suggested, when compared to other commercial policy actors, the EU is 'distinctive' (Smith, 2001: 790). In order to investigate the EU's commercial diplomacy this chapter uses the criteria of *autonomy, representation* and *influence* – qualifications of non-
state actors – as its analytical framework as opposed to evaluations of the EU in terms of the qualifications of traditional statehood, namely sovereignty, recognition and control. Using these three criteria means analysing the EU as a commercial actor without falling into ‘a conventional analysis’ by comparing the EU’s commercial roles with that of other state actors. Many of the established views of the EU tend to subject it to the tests of a traditional model of foreign economic policy and to identify the ways in which the EU falls short of the implied standards of statehood, which is likely to be misleading (Smith, 2000b: 333). Through the exploration of these qualifications, three major questions concerning the EU’s commercial diplomacy will be illustrated: First, what characteristics does the EU have as a commercial policy actor and how it is distinguishable from other state actors? Secondly, what is the mechanism and policy process of the EU’s commercial diplomacy? Thirdly, what effect does the EU’s commercial diplomacy have in the global political economy? The chapter explores three credentials of commercial autonomy, representation and influence – the basic qualities in which the EU plays its commercial roles and performs some state-functions as follows:

2.3.1 Commercial Autonomy

Rather than sovereignty, which is the qualification of statehood, this section emphasises on analysing the EU’s commercial autonomy. The Common Commercial Policy (CCP) has been embedded since 1961 as the oldest and most potent manifestation of the Union (Bretherton and Vogler, 1999: 49; Meunier and Nicolaidis, 1999: 478) and the EU (more specifically the European Communities) has long been granted an exclusive autonomy to handle the international trade agenda at the European level. However, there have always been tensions between the EU (through the Commission) and its Member States (through the Council) concerning their ‘shared’ autonomy over the EU’s commercial policy. Two issues tend to bring these players to loggerheads: first, the commercial competence problem and second, the complexity of the commercial decision-making process.
The European Commission and Member States have had a long dispute over the question of EU's commercial competence. Article 113 of the Treaty of Rome (now renumbered as Article 133 of the Consolidated Treaties), gave the Community explicit and exclusive competence for commercial policy, including the power to conclude tariff and trade agreements with third countries and international organisations. This exclusive competence in the management of external trade in goods is seen as a necessary corollary to the creation of a customs union with a Common Customs Tariff (CCT). However, it is important to notice that Article 113 '[made] no definition of commercial policy' (Woolcock and Hodges, 1996: 304).

Since the mid-80s, the exclusive competence which covers only trade in goods has been seen only as a part of the trade story; other 'new issues' have also emerged on the international trade agenda, for example, intellectual property, trade related investment measures and services, and this 'started to question the clear foundations of the Community’s trade competence' (Meunier and Nicolaidis, 1999: 483). This then developed into what Meunier and Nicolaidis termed, 'the battle over the scope of trade competence of the EU' referring to the attempts made by Member States to regain some of their lost sovereignty in the realm of trade (1999: 478). An early result of this dispute was the European Court of Justice (ECJ) Decision 1194 21, which held that the Member States and the Community shared competence in dealing with the 'new issues'. As Woolcock argued, this Court decision 'significantly limits the scope for EU competence in international services' and 'raises the spectre of the EU losing its single voice in negotiations, with member governments challenging the European Commission’s authority to negotiate' (Woolcock, 2000: 377).

In the 1996 Intergovernmental Conference (IGC) the Commission argued, as it had in the 1991 IGC, that services and intellectual property should come under exclusive EU competence; but this was rejected by the Member States (Woolcock, 2000: 378). The Treaty

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21 Court of Justice of the European Communities, Opinion 1/94, 15 November 1994, I-123.
(1) The Community has sole competence, pursuant to Article 113 of the EC Treaty, to conclude the multilateral agreements on trade in goods.
(2) The Community and its Member States are jointly competent to conclude GATS.
(3) The Community and its Member States are jointly competent to conclude TRIPs.
of Amsterdam amended Article 113 (and renumbered it 133), 'but only so far as to establish a mechanism whereby the scope of the CCP can be extended to international negotiations on services and intellectual property by a unanimous vote of the Council of Ministers' (Young, 2000: 100). This was only a 'compromise solution' (Woolcock, 2000: 378) to disputes between the EU and Member States over commercial competence, which allowed for the future expansion of exclusive competence to the excluded sectors through a unanimous vote of the Council. The Amsterdam Treaty thus left future decisions up to the political will of the Member States.

Apart from the new trade issues, the Commission also attempted to gain more commercial competence in the area of investment. For instance, at the Nice negotiation in 2000 the European Commission (2000c) tabled a proposal to amend Article 133 to include services, investment and intellectual property in order to cope effectively with future WTO multilateral negotiations. However, the result of the Nice negotiation was that 'the Commission did not succeed' in including investment in the scope of the CCP (Krenzler and Pitchas, 2001: 311). Hence, despite broadening the scope of exclusive competence to include trade in services, unanimity is required for provisions to be adopted. Moreover, after the Nice Treaty 'the negotiation and conclusion of significant agreements - be they bilateral or multilateral - will remain subject to unanimous agreement within the Council and ratification by Member States' (Krenzler and Pitchas, 2001: 312). Nonetheless, another attempt (at least from the Commission) to reform Article 133 was undertaken in the framework of the Convention on the Future of Europe.

It is these tensions underwriting the developments from the Treaty of Rome to the Treaty of Nice which indicate the lack of clarity on matters of commercial competence and also reflect the Commission’s attempts to acquire more ‘statelike’ competences from its Member States. While the European Commission has gained more autonomy and competence

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22 As Leal-Areas (2004) noted in January 2000, the European Commission’s Opinion clearly expressed that any change in voting procedures to Article 133 would not be the best option. Rather, a better option would be the inclusion of services, intellectual property and investment into Article 133.
over trade issues, investment remains mainly the competence of the Member States. This 'unevenness' of the Commission’s commercial autonomy in trade and investment and on- going Commission-Member States bargaining for influence over the EU’s commercial autonomy illustrates one of the distinctive characteristics of the EU as a commercial policy actor.

A second aspect which distinguishes the EU from other commercial policy actors are its 'complex, multilayered, and politicised' (Collinson, 1999: 208) commercial policy-making processes, in which the Commission possesses some statelike features, though subject to monitoring and approval by its Member States through the Council. In the area of international trade negotiations, the actual conduct of negotiations, their initiation and content is the prerogative of the Commission (Woolcock, 2000, Johnson, 1998, Meunier and Nicolaides, 1999). However, the Member States through the Council need to give the Commission a negotiation mandate. As Nugent (2001: 307) noted, 'the Commission has the Council looking over its shoulder and monitoring its actions'. The main channel of communication between the two institutions is through the Council’s Article 133 Committee, to which to the Commission reports on the progress of negotiations. Hayes-Renshaw and Wallace observed that the Committee 'works with, rather than against', the Commission, indicating to the latter what is and what is not likely to be accepted by the ministers and what should be referred back to the Council for reconsideration and perhaps for new or modified negotiating mandates (1997: 90). Therefore, the Article 133 Committee can be seen as a driving engine behind decision-making in the EU’s commercial policy and as the link between the European Commission and the Council. However, when an agreement has been initialled, it must then be submitted back to the Council for a final decision on approval or adoption. As Nugent noted, the Commission 'has always to keep an eye on what is likely to be acceptable to the Member States for they have to ratify final agreements' (2001:322).
Importantly, it is worth noticing the multiple interests influencing the EU’s decision-making process, both internally (within and between the EU institutions itself) and externally (business lobbyists, NGOs, and think tanks). As Collinson has argued, ‘[this] relative autonomy enjoyed by the Commission vis-à-vis the Council can vary from one set of negotiations and from one issue-area to another according to the particular interests and sensitivities that they invoke among the ministers and other national representatives in the Council’ and ‘many policy measures or negotiations will fall within the interest of more than one sectoral Council, Council committee, Commissioner, or Commission DG, and these interests will sometimes compete or conflict’ (1999: 209). This overlapping and interacting ‘network of action’ (Smith, 1994a: 287, quoted by Collinson, 1999: 211) in the EU’s decision-making processes then creates all sorts of tensions and opportunities within and between the EU institutions that can affect external and other areas of EU commercial policy. 

Apart from the internal interests within the EU’s institutions, it is also crucial to note external interests, for example, business interests influencing the EU policy-making process (Cowles, 1998; Coen, 1997; Greenwood 1997; and Mazey and Richardson, 1993). As Greenwood observed, both cross-sectoral and sectoral European level business associations have been used as ‘front’ organisations for the firms’ interests in influencing the EU’s commercial policy, particularly through the European Commission (1997: 52, 125). Moreover, Member States also have some branches of their national business associations in Brussels (for example, the Federation of German Industries (BDI) and the Confederation of British Industry (CBI)) which represent their business interests at the EU.

Cross-sectoral organisation include, for example, UNICE (Union of Industrial and Employers’ Confederations of Europe), EUROCHAMBRES (Association of Chambers of Commerce and Industry), ERT (European Round Table) comprising the chief executives of some of the largest European firms, AMCHAM-EC (EU Committee of the American Chamber of Commerce) organising American firms in Europe, and also a variety of organisations seeking to represent the interests of small firms in Europe, for example, UEAPME (European Association of Craft, Small and Medium-sized Enterprises), and EUROPMI (European Committee for Small and Medium-sized Independent Companies). Sectoral organisations include, for example, European Automobile Manufacturers Association (ACEA), Association of European Airlines (AEA) and etc. These sectoral organisations account for the majority of the Euro groups.
As illustrated through this discussion of disputed commercial competence and complex decision-making processes, whilst the Commission can play a leading role in the EU’s commercial policy framework, ‘there are limits to its autonomy and effectiveness’ (Laffan, O’Donnell and Smith, 1999: 66). Its role is ‘autonomous, but not independent’ (Nuttall, 1996: 131). The Commission, therefore, possesses limited autonomy over the EU’s commercial diplomacy as its autonomy is shared by the Member States through its interaction with the Council within the complex policy-making process. More importantly, the Community’s autonomy is uneven in different commercial areas: exclusive autonomy in trade, but not in investment. This reflects the uniqueness of the EU as a commercial policy actor in the global political economy.

2.3.2 Commercial Representation

Rather than recognition – the term normally used as a qualification of state actors when participating in the international system – a more appropriate term in the contemporary global arena is that of representation (the second criteria used here for the analysis of the EU’s commercial diplomacy). Although it still operates alongside the continuing activities of Member States (Hill and Wallace, 1996: 13), the EU is centrally placed in many global institutions and organisations and its commercial ‘representation’ has increasingly been developed and become more evident in different arenas of the world economy: multilateral, regional and bilateral. Meunier and Nicolaidis argue that regardless of the level, ‘whether in bilateral, regional or multilateral trade negotiations, Europe formally “speaks with one voice” and negotiates through one agent, the European Commission’ (1999: 478).

At the multilateral level, the EU’s commercial ‘representation’ seems to be most highly-developed in the WTO. This representation has sometimes led to a form of ‘recognition’ in the international arena that acknowledges the European Commission as the EU’s negotiator in multilateral trade negotiations. This has arguably strengthened the EU’s statelike qualities. In this respect some commentators have insisted that this role of the
Commission makes it 'the main, and usually sole, negotiator for the EU in bilateral and multilateral trade negotiations with non-Member States under the CCP' (Nugent, 2001: 297), as well as the 'exclusive spokesman of the Community on questions regarding trade in manufactured goods' (Nuttall, 1996: 130). An early instance of this development was the Tokyo Round of the GATT negotiations (1973-1979), when the Commission conducted the negotiations (on the basis of directives from the Council, as if under the CCP), although the European Community (EC) was represented at the September 1973 Tokyo Ministerial Summit by a joint delegation and the nine national delegations that participated (Bourgeois, 1982). Also, at the Uruguay Round of GATT negotiations (1986-94), which raised competence questions for the EU on 'new trade issues' (i.e., services, intellectual property and investment measures) the member governments agreed to negotiate with one voice even in areas of mixed competence (Johnson, 1998; Woolcock and Hodges, 1996). In recent years, the governments of Member States have shown a general willingness to cooperate in international negotiations in areas beyond the formal scope of the EU’s competence (Woolcock, 2000; Young, 2002: 35-42). This increasing importance of the Commission’s negotiating role in WTO multilateral negotiations demonstrates further the strengthening of ‘statelike’ qualities, and has led to the recognition of the EU (though not as a state) as a major actor in the WTO\textsuperscript{24}. However, a clear distinction needs to be drawn between the negotiation and the conclusion of an agreement. In this respect, the Commission has negotiating powers, but not the powers to conclude an international agreement on behalf of the EU and its Member States (which remain with the Council).

Apart from multilateral negotiations, the ‘representation’ function can also be observed in the EU’s negotiation of bilateral and interregional association, cooperation and partnership agreements with third countries and emerging regional economic or trade

\textsuperscript{24} The EU (known for legal reasons as the European Communities in WTO matters) has been a WTO founder member since 1 January 1995. The 25 member States of the EU are WTO members in their own right. The EU is a single customs union with a single trade policy and tariff. The European Commission speaks for all EU Member States at almost all WTO meetings (WTO Website at www.wto.org).
groupings. These include, for instance, the development of the Lomé/Cotonou regime, the continuing trans-Atlantic trade talks, EU–ASEAN co-operation, the negotiation of ‘partnership’ agreements between the EU and Mediterranean third countries, and the EU-MERCOSUR agreement. Such engagement with other regional actors, both at bilateral and interregional levels, indicates another form of the EU’s commercial representation in the global political economy.

A third distinguishing type of representation is the EU’s commercial representation on the ground. Through the European Commission, the EU also has its external representatives – the European Commission Delegations – in a growing number of non-member states and international organisations (OECD, OSCE, UN, WTO, FAO). As Smith observed, ‘some of the missions in overseas capitals have the formal status of Embassies headed by Ambassadors, as in Washington and Tokyo. Other missions are attached to international institutions such as the OECD, the GATT (since 1995, the WTO) or the UN, where they play an important continuous negotiation role as well as that of representation. Equally important are the many diplomatic missions accredited to the Community (effectively the Commission) itself’ (2005: 313).

From 1954 when the first European Coal and Steel Community (ECSC) Delegation was established in Washington DC to 2004 the EU has built up a global network of 130 European Commission Delegations with more than 5,000 staff and encompassing all continents (European Commission, 2004b: 3). However, as Bruter noted, it is only since the beginning of the 1990s that the external service of the European Commission has grown rapidly. Before that ‘a few more offices were opened in Asian and American countries in the 1960s and 1970s, as well as about seventy in the African, Caribbean and Pacific (ACP) countries after the Yaoundé and Lomé conventions had been signed’ (1999: 183). This indicates the fact that the EU’s external relations were not comprehensively extended further.

25 The EU’s commercial engagement in different levels will be explored in detail in Chapters 4-6 of the thesis in relation to South East Asia and North East Asia.
than its ‘immediate neighbours’ (Piening, 1997: 143) until the 1990s (this will be illustrated further in the case of EU’s relations with Asia in Chapter 3). Since the 1990s, this diplomatic network of European Commission Delegations has been strengthened and attained the status of a comprehensive, organised and consistent network of Embassies and representations around the world. However, as Bruter argued, these Delegations ‘represent neither a state, nor even a super-state, but a particular institution of a unique super-national organisation’, and can be seen as ‘Embassies without a state’ (1999: 183). Spence (2005) in similar vein has viewed the Delegations in third countries as a ‘quasi-diplomatic service’ in parallel to those of Member States.

Viewed specifically in the area of commercial diplomacy, this chapter argues that the Delegations (in some countries, perhaps not all) can be regarded as the EU’s ‘commercial representation’ at local level (though not yet the political one), co-operating with the Member State Embassies and representing the EU common interest in third countries. Despite the fact that their autonomy is still limited by the restrictions in the Community’s commercial competence, the Delegations have a major responsibility in trade policy as commercial authority has in many respects been transferred from Member State Embassies. However, issues such as trade and investment promotion still fall under the responsibility of Member State Embassies. Apart from their major roles in the trade policy area, the Delegations have developed increasingly important roles in the areas of development related aid, humanitarian help, technical and scientific co-operation, and economic development.\(^26\)

2.3.3 Commercial Influence

Although the EU cannot claim to have full control over the ‘European’ territory or markets, the above discussion of the EU’s commercial representation in different global arenas affirms that the EU does have remarkable influence in the world economy. Importantly, its immense

\(^{26}\) The commercial roles of the Delegations will be also dealt in Section 2.4.5 of this chapter, when analysing EU engagement with business, in Section 3.3.3, when analysing the EU in Asia, and in Chapter 6, when analysing the EU as a commercial actor in Thailand.
international economic weight is also observed and taken into consideration by other international actors (Smith 1994a; Piening 1997). Therefore, this section argues that the EU asserts different types of influence through different types of commercial strategies in these different levels.

At the multilateral level, the EU’s commercial influence and action seems to be most visible, partly as a result of the European Commission’s highly-developed commercial autonomy and representation, particularly in the WTO. There is no doubt that during the 1990s, the European Commission had a strong interest in the multilateral framework via the WTO. Pascal Lamy, the EU Trade Commissioner from 1999-2004 also gave a strong emphasis to the EU’s policy of ‘multilateralism first’ – ‘which means that the EU gives priority to promoting multilateralism, while continuing to be an active player in regional trade policy’ (2002: 1401)\(^\text{27}\). This strategy was confirmed in 2003 by a DG trade official who noted that ‘the EU commercial strategy always focuses first at the multilateral level, then the regional strategy will support the EU’s aims in the multilateral level’ (Interview, European Commission, DG Trade, Brussels, 13 June 2003).

As a major ‘trading state’, ‘the EU has an inevitable concern with predictable and stable conditions in the global arena and does not process the more directly coercive mechanisms with which others might be able to enforce their will’ (Smith and Woolcock, 1999: 454). Despite the sensitive and disputed area of Common Agricultural Policy (CAP), the role of the EU in the multilateral arena has been in favour of liberalising and supporting a more open market economy, rather than the coercive use of multilateral rules. This can be illustrated through the diminishing centrality of traditional trade tools (for example anti-dumping) in EU trade policy (McGuire, 1999a: 91). Instead, there has been a shift toward the liberalisation of trade and a market access strategy in relations to third countries within the framework of WTO, where ‘the EU has been a supporter of this deregulation process’

\(^{27}\) Perter Madelson, the Trade Commissioner from 2004-recently (under Barroso Commission) also gives a particular importance to multilateralism.
(McGuire, 1999a: 91). For the EU, this focus on multilateralism and trade liberalisation has become the most important channel in asserting its commercial influence towards the rest of the world, notably through its market access strategy (See Section 2.4.2).

Not only does it emphasise multilateralism, but the EU has also placed considerable weight on interregional cooperation or group-to-group arrangements (Edwards and Regelsberger, 1990), which ‘make up an impressive list of activities undertaken by Europe towards the world’ and ‘have entered a remarkable period of growth since the early 1980s’ (Regelsberger, 1990: 5). Alecu de Flers and Regelsberger (2005) insist that since the end of the Cold War there has been an increase in the number and the importance of interregional cooperation arrangements as a foreign policy objective of the EU. The claim is that this represents one of the most attractive frameworks for both the EU and third countries to meet their respective foreign policy interests through dialogue and negotiation.

These interregional dialogues between the EU and different regional groupings in the world, however, vary in formats, objectives, and agendas. For instance, the EU and the ACP countries started a dialogue in 1975 with the Lomé Convention, which in effect set up a comprehensive trade and aid agreement. This gradually developed (Lomé II-IV, 1980-1990), culminating in June 2000 in the Cotonou Agreement. Other examples are: the Euro-Mediterranean (Euromed) Partnership launched in 1995, for the EU and the Mediterranean and the Middle East region; the EU’s cooperation with the Gulf Co-operation Council (GCC), which started in 1989 and focuses on economic, political, security issues; the Interregional Framework Cooperation Agreement (formalised in 1995 and entered into force in 1999), which mainly deals with economic and trade issues between the EU and MERCOSUR countries; and last but not least the EC-ASEAN Cooperation Agreement signed in 1980 and the ASEM were initiated in 1996 for the EU and Asia. Additionally, it is important to note that economic and commercial interests are likely to be dominant in the EU’s interregional relations with Latin America and Asia – two major emerging economies. Chapter 3 will
explore the EU’s commercial relations with Asia, focusing on the EU’s particular interests in the Asian markets and adoption of different commercial strategies towards Asia.

Aggarwal and Fogarty maintain that these dialogues represent different types of interregionalism and they do not necessarily link the EU with coherent counterpart regional groupings (2004: 4). Thus, Aggarwal and Fogarty defined the EU-MERCOSUR agreement as ‘pure interregionalism’ since it formally links two free trade areas or customs unions; the Lomé Agreement as ‘hybrid interregionalism’ meaning that a customs union negotiates with a group of countries from another region, but the second group is not a customs union or a free trade agreement; and the Asia-Pacific Economic Cooperation (APEC) and the ASEM agreements as ‘transregionalism’, because they link countries across two regions where neither of the two negotiates as a grouping (2004: 5). In this respect, they label the EU’s strategy at interregional level as a ‘hub-and-spoke’ system with the EU at the centre of a series of economic relationships in which it maintains ties to other regions that may or may not have ties to one another and it allows the EU to be the senior partner in any interregional arrangement (except perhaps with North America), given its greater economic weight and the far more advanced institutionalisation of its regional member states (Aggarwal and Fogarty, 2004: 12). The conjecture is that such a hub-and-spoke strategy ‘could act as a guarantor of economic security in the face of the not-unimaginable dangers of the collapse of the WTO and the multilateral trading system and/or a protracted trade war with the US’ (2004: 13). Thus, apart from multilateralism, the EU’s regional strategy (both transregional and interregional) underwrites the EU’s economic and commercial influence in the global political economy.

Through these dialogues and networking at the regional level, ‘the EU acts as a catalyst for openness, dynamism, and political and economic innovation [and] the role of the EU’s organs [is] to negotiate access to markets of other states and regions and push for the conclusion and implementation of multilateral agreements for liberalisation of trade and investment’ (Robles, 2004: 13). In the case of Asia, the ASEM transregional process and EU-
ASEAN interregional relations (which will be explored in detail in Chapters 4 and 5 respectively) can be seen as examples of the EU's attempt to play a proactive role – comparable to those of a 'competition state' (Cerny, 2000c), 'catalytic state' (Weiss, 1998) and 'cooperation state' (Dunning, 1993b) – in building a network of transregional and interregional relations with other economic groupings in the world as the means to promote its trade and investment activities abroad and particularly to access markets in other regions, thus asserting its commercial influence and balancing the US power in the global political economy.

While the EU's commercial influence seems to be visible in both multilateral and regional contexts, at the bilateral level the EU also asserts its commercial influence on the ground through the work of European Commission Delegations. As already argued, although the Delegations exist alongside the Member State Embassies, both seem to cooperate and thus build a network of commercial policy-makers, which promotes the collective interests of the EU in third countries (See Section 2.4.5 in this Chapter and Chapter 6).

2.3.4 EU Commercial Strategy: The European Commission as Initiator

Although the EU is neither a state nor possesses the traditional state qualifications of sovereignty, recognition and control, it is argued here that the EU does have a potent commercial diplomacy in terms of its 'statelike' qualifications of commercial autonomy, representation and influence. Within the EU's commercial diplomacy, notwithstanding its sharing of commercial autonomy and competence with Member States within the complex decision-making processes, the EU's commercial representation and influence in different levels of the global arena (multilateral, regional and bilateral) affirm its 'presence' in the global political economy. In other words, the EU is recognised here as not only a valid participant but also a formidable commercial policy actor in the global political economy, though not a state.
Viewed in this context, the chapter argues that besides operating alongside Member States, the EU does have its own commercial instruments and strategies and plays its own commercial roles, which seem to be differentiated from those of traditional state actors (this follows from what has already been argued in Chapter I on the differentiation in the roles of states in the global political economy, page 38). More importantly, the EU’s commercial strategies and roles are also differentiated at different levels of the global arena (multilateral, regional and bilateral) through a variety of commercial instruments. A central task of this thesis is, therefore, to investigate these commercial instruments and strategies and the ways in which they characterise the roles of the EU as a commercial actor in Asia.

It is important to note that to explore the EU’s commercial diplomacy means to focus particularly on the role of the European Commission. While bearing in mind its limited commercial autonomy mentioned earlier, it is argued that in the economic and commercial framework of the First Pillar the European Commission has played a leading role as a ‘strategy initiator’ or as, Smith put it, ‘a source of and channel for policy’ through ‘a substantial bureaucratic and diplomatic machinery’ (2005: 305, 312). More importantly, within the European Commission itself, there can be observed overlapping and interactive responsibilities and the work of different Directorate Generals (DGs) in formulating the EU’s commercial diplomacy and strategy. As Smith observed, after 1999 the Prodi Commission established a ‘team’ of external relations Commissioners and DGs nominally headed by Chris Patten as Commissioner for External Relations 1999-2004 (and head of DG External Relations or DG RELEX\(^2\)) (2005: 312). This means the EU’s commercial diplomacy involves co-operation among a number of different DGs, for example DG External Relations, DG Trade, as well as an increasing importance of the EuropeAid and Co-operation Office (through an increasing use of EU co-operations programmes as commercial instruments).

\(^2\) As Smith noted, from the 1970s-1990s, DGI (External Economic Relations) – which was structured in accordance with the main concerns of the CCP – developed an extensive mechanism of international representation and reporting, responsibility for which was then transferred to DG IA and later (under the Prodi Commission) to DG RELEX (Smith, 2005: 313).
Following Smith’s argument that ‘the Community has established a major presence in
the international arena’, and ‘the Commission is central to this presence’ (2005: 314)\(^{29}\), this
thesis, rather than focusing on analysing the EU’s commercial policy in a broader sense, gives
a particular emphasis to the European Commission’s roles in ‘formulating’ and
‘implementing’ EU commercial strategies\(^{30}\). Therefore, in this thesis when the term EU’s
commercial ‘strategy’ is emphasised, this particularly means the European Commission’s
ideas, objectives and priorities in pursuing the EU’s commercial strategy towards the rest of
the world. The next section moves on to focus more specifically on the EU’s (particularly the
European Commission’s) commercial strategies in engaging business.

2.4 BUSINESS ENGAGEMENT IN EU COMMERCIAL STRATEGIES

Since the 1990s, there has been an increasing concern with business involvement within the
EU policy-making process, with many studies concentrating on business as a lobbying agent
in Brussels (Mazey and Richardson, 1993; Cowles, 1998; Greenwood, 1997; Coen, 1997).
This chapter, however, focuses on a rather different aspect of the EU-business interaction. It
aims to investigate the EU’s business engagement, which has become more evident as part of
the overall EU’s commercial strategies towards third countries since the beginning of the
1990s by emphasising the strategies and roles of the European Commission in engaging and
incorporating business and firms more closely into its commercial diplomacy framework.
Building on Stopford and Strange’s model of Triangular Diplomacy as a means of generating
questions about state-firm relations in EU commercial diplomacy, this chapter focuses on
proactive roles of the EU in relation to business and firms — that is to say on ‘engagement’ as
a positive strategy and source of activities.

\(^{29}\) Smith (2005: 313) argued that ‘the foundations of Commission action and mechanisms in the realm of external
relations are not merely those that are found in the Treaties, extensive as they are. These constitutional powers
are supplemented by the growth of a bureaucratic and diplomatic network and by the perceived status of the
Commission as a focus of attention for outsiders, both at governmental and non-governmental levels’. See more
detail about the European Commission and external relations in Smith (2005).

\(^{30}\) Chapter 3 is devoted to examining the formation of EU commercial and business engagement strategies
towards Asia, and Chapters 4-6 to their implementation at three different levels.
2.4.1 The Emergence of the EU’s Business Engagement Strategy in the 1990s: A New Area of Commercial Diplomacy

Since the 1990s, the EU’s engagement with business has emerged as part of the overall EU commercial diplomacy, alongside a shift from a protectionist approach during the late 1970s and early 1980s\(^\text{31}\) towards a more liberal approach in the EU’s trade and commercial strategies during the 1990s (McGuire, 1999a: 82; Hanson, 1998: 56). As Hanson noted, ‘in the 1990s, despite ominous warnings and theoretical expectations, fortress Europe has not been built, to the contrary...since the late 1980s not only have few new trade barriers been erected, but external trade policy in Europe has been significantly liberalised’ (1998: 56). In a similar vein, McGuire also observed the EU’s more liberal approach through ‘the dwindling use of traditional trade instruments such as safeguards, anti-dumping or countervailing duties (CVDs) legislation, which may signal the declining utility of these instruments’ and a shift toward ‘a more externally-oriented trade policy’ (1999a: 88-91).

This significant development of the EU’s commercial strategies and the emergence of EU business engagement in the 1990s resulted from the changing nature of both the European and the global political economy. A first driving force was the structural changes in the global political economy and globalisation process (already discussed in detail in Chapter 1), which lent weight to a broad range of Non-Tariff Barrier (NTB) issues and regulatory policies, or what Smith and Woolcock (1999: 440) referred to as ‘the wider concept of commercial policy’. Second was the creation of the Single European Market in 1993, which ‘set up an institutional structure that placed the EC ever more firmly on the path of economic liberalisation’ (Hanson, 1998: 81). As McGuire argued, ‘this internal liberalisation made it easier [...] to contemplate greater external liberalisation... Indeed European policy-makers

\(^{31}\) Hanson noted that this protectionist approach in the EU trade policy followed the serious recessions of the 1970s and 1980s which were characterised by stagnating or declining levels of output and rising levels of unemployment. At the time most Europeans saw rising unemployment as the direct result of growing imports, particularly from Japan and the NICs. Thus many concluded that increased protectionism was necessary, and numerous economic theories were advanced, particularly in Great Britain, France, and Germany, advocating higher trade barriers (1998: 56).
quickly found that the Single Market gave them leverage in international trade negotiations; they were able to leverage access to the European market in exchange for great access to foreign markets for EU firms’ (1999a: 78). Thirdly, the creation of the WTO in 1995 (replacing the GATT) also required the EU to act in further promoting trade and investment liberalisation and supporting the open market economy. While there has been an increasing competition among the Triad (US, Japan and Europe) in the world economy and the EU expects to play a leading role, the European Commission has been focusing on the use of the multilateral framework, chiefly the WTO – the forum where the Commission’s commercial autonomy and representation seem to be highly-developed, as a platform to assert the EU’s commercial influence in the world economy.

As a result, in the 1990s the European Commission, rather than only protecting its domestic markets, became more concerned with the issue of global competitiveness and its link to the development of domestic markets, emphasising a strategy of access to third-party markets worldwide. As stressed in the Commission’s 1993 White Paper on Growth, Competitiveness and Employment:

‘Open markets world wide are one of the keys to securing faster growth and more rapid job creation in Europe. If European industry is to reap the full benefits of improved competitiveness policies at home and to take advantage of the economies of scale that operating in an increasing integrated market would imply, the EU must shape its approach to international economic relations with a view to improving the climate in which European firms operate’ (European Commission, 1993, Chapter B.II.6).

This strategy reflects a significant change in the belief of the European Commission from a protectionist to a more liberal approach. As Hanson noted, in the 1990s ‘European policymakers abandoned their belief in the virtues of protectionism and...adopted the neoliberal economic belief that exposing domestic firms to international competition is more effective than protection for improving the competitiveness of domestic producers and promoting economic prosperity for the society’ (1998: 66).

Consequently, in order to support European business and enhance its competitiveness in the world economy, in 1996 the Commission adopted its ‘market access strategy’
(European Commission, 1996b), which can be seen as a strategy that ‘shifts the locus of trade policy away from protection of the home market and toward gaining or maintaining access to foreign markets’ (McGuire, 1999a: 88). In this strategy paper, the Commission emphasised that ‘[this] openness of the European economy to international competition enables firms to find goods and services for intermediate consumption and to finance themselves under the best conditions world-wide, thus enhancing their international competitiveness and creating jobs in Europe’ (European Commission, 1996b: 2). This indicates that in the 1990s the issues of competitiveness and market access became a key theme of the EU’s commercial strategies and more importantly, that business engagement strategy emerged as a ‘new’ area of EU commercial diplomacy.

Alongside the traditional trade policy instruments, i.e., anti-dumping, anti-subsidy, and safeguards, which seem to present a rather defensive aspect of EU commercial diplomacy, the business engagement strategy shows a more proactive role of the EU in relation to business, both home and host firms. This positive strategy to engage business is explicitly used by the EU as a means to improve European competitiveness and secure its position as an economic power in the global political economy, particularly in competition with the US and Japan in the Triad. The business engagement strategy, therefore, appears to demonstrate the EU’s attempt to play a proactive role, comparable to those of the ‘competition state’—which ‘pursues increased marketisation to make economic activities located within the national territory, or that otherwise contribute to national wealth, more competitive in international and transnational terms’ (Cerny, 2000c: 301) or a ‘catalytic state’—which ‘forges or strengthens partnerships with other actors, i.e., firms, rather than going it alone’ (Weiss, 1998: 211). The EU has embodied a move from ‘confrontation to cooperation’ (Dunning, 1993b) in relations with business and firms, thus performing a role of a ‘cooperation state’. In other words, state-firm relations and interactions have also emerged as a crucial part of the EU’s commercial diplomacy when the EU performs positive and
proactive strategies in engaging and incorporating firms more closely into its commercial diplomacy framework.

Nonetheless, it is important to note that the EU is not the only actor which has performed such proactive roles towards business and firms. Rather, other advanced-industrial states also pursue the same strategy. While examining her theory of the catalytic state, Weiss viewed Japan and the NICs, i.e. Korea and Taiwan as examples of catalytic states, who ‘pursue internationalisation strategies in collaboration with their business sectors’ (1998: 205). For example, in the case of Japan, there can be observed a number of agencies — Ministry of International Trade and Industry (MITI) and the Economic Planning Agency to Japan External Trade Organisation (JETRO) and the Export-Import Bank — ensuring that firms are assisted in choosing appropriate foreign investment locations abroad. Overseas Development Aid (ODA) is another tool which Japan has used for externalising its alliances throughout the Asian region (1998: 205).

In the case of the US, Peterson and Cowles noted that apart from the Commerce Department which can be seen as a channel for ‘high intensity advocacy’ of US business interests abroad, the American Chamber of Commerce (AMCHAM) (which actually refers to a global network of independent organisations, normally affiliated to the US Chambers of Commerce in Washington) acts either as an information point for US firms which need to become familiar with local rules on tax, investment, etc or as mere social clubs (or both) (1998: 251). Particularly in Europe, the American Chamber of Commerce to the European Union (AMCHAM EU) is an important agent of Washington’s influence in Brussels, which monitors the EU’s activities in relation to their impact on US firms (1998: 253). The US has used this style of lobbying not only in Europe, but also in the rest of the world.

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32 Building on the Japanese, Korean, and Taiwanese cases, Weiss (1998: 207) distinguished four strategies of catalytic states: first, the state encourages local firms to finance their investment projects through the overseas issues of corporate bills and convertible bonds. Second, state agencies supplement private overseas investment with ODA to assist business expansion in developing countries. Third, local firms receive strong financial support to enter joint ventures or technology partnership with MNCs in strategic sectors. Fourth, the state facilitates internationalisation through direct on-the-ground assistance for firms to relocate operations overseas.
In the case of Europe, some Member States themselves have undoubtedly become a form of ‘competition’, ‘catalytic’ and ‘cooperation’ state, performing positive and proactive strategies in supporting their business and firms. However, when it comes to the analysis of the EU, its case indicates a distinctive commercial policy actor in the global political economy due to its limited and shared commercial autonomy with Member States, its complex and politicised policy-making processes and the unevenness in the EU’s commercial competence between trade and investment. Consequently, a number of questions arise in relation to the ways in which the EU as a statelike actor performs these proactive roles in engaging and supporting European business in the world economy and the effects of the EU’s engagement with business as part of the EU’s commercial strategies.

This chapter identifies different types of the EU’s business engagement as follows: market access, business dialogue, EU economic co-operation programmes, and the roles of the European Commission Delegations—all of which reflect the EU’s proactive roles in relation to business and firms.

### 2.4.2 Market Access Strategy

Market access, or the granting, conditioning or denial of access to the European Single Market, is seen by Smith and Woolcock as ‘perhaps the most powerful instrument available to the EC for the implementation of commercial policy’ and ‘a key statelike function’ of the EU (1999: 451). As already noted, in 1996, the European Commission adopted its first ‘market access strategy’ and emphasised that: ‘the Community must strive to achieve improved market access in third countries in parallel to the continued progressive opening of its own market, both by ensuring the full implementation by its partners of their Uruguay Round obligations and through other market access actions’ (1996b: 3). In this strategy paper, the

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33 Cerny (2000c: 305) gave examples of different kinds of putative competition states: Germany, Austria and Sweden as ‘European neocorporatist model’ and the UK as ‘Anglo-Saxon model’. While acknowledging the emergence of a form of competition, catalytic, and cooperation state in some Member States, this thesis does not aim to analyse Member States, but the EU. For differences between different models of competition state, see Cerny (2000c: 305).
European Commission insisted that the goal of its market-opening strategy is that: ‘the Community’s trading partners should effectively adhere to and comply with the numerous and complex obligations arising out of the agreements now covered by the WTO’ (1996b: 4). For developing countries, the European Commission also stressed an attempt to ‘support and encourage their integration into the multilateral trade system’ (1996b: 4). Such a statement makes it clear that the EU’s market access strategy is embedded as part of the multilateral framework or multilateralism – the context in which the EU has the most highly-developed commercial autonomy, representation and influence.

The market access strategy of the EU demonstrates its proactive stance in promoting European business access into third country markets as a means to ‘achieve competitiveness in the global economy’ (European Commission, 1996b: 3). The Commission maintains that as European firms encounter a ‘multitude of obstacles abroad of a very different nature’ and as they are exposed to a much greater degree of competition ‘they should have the opportunity to compete on equal terms, especially in foreign markets, and not to be hindered by trade barriers’ (1996b: 3, 2). Therefore, ‘the active support of European business’ and the ‘emphasis on the objective of third country market opening in the Community’s commercial policy’ (1996b: 4) are essential elements in the EU’s market access strategy.

Furthermore, as part of this strategy, on 1 January 1995, the ‘Trade Barrier Regulation (TBR)34 came into effect as one of the EU’s crucial commercial instruments which seeks to defend the interests of European firms in third markets. As the European Commission noted, the TBR is ‘unique’ among the Community’s commercial policy instruments as it is a ‘proactive rather than a defensive’ instrument to open markets (DG Trade Website at http://europa.eu.int/comm/trade). The TBR procedure is carried out when either Member States, firms, or groups of firms bring a complaint to the Commission. The Commission then investigates and, should it be determined that EU commercial interests have been damaged,

34 In December 1994, the Council adopted the Trade Barriers Regulation (Council Regulation N°3286/94)
the Commission uses bilateral negotiations or the WTO dispute settlement process to remedy the situation (McGuire, 1999a: 74). Moreover, it is noted that ‘the costs to a firm or industry association of filing a TBR case are near to zero as the Commission conducts its own research on the case’ (Sherman and Eliasson, 2003: 10). Unlike many traditional ties between Member State governments and businesses seeking market access abroad, the TBR is a formal process carried out in the European Commission, which can also be viewed as a means of enhancing the statelike role of the EU (particularly through the European Commission), both at the multilateral level through the use of the WTO dispute settlement and at the bilateral level through bilateral negotiations.

The European Commission itself has stressed the importance of TBR in assisting business to access third country markets and in ensuring that trading partners effectively comply with their international commitments (apparent either through action taken by the third country to eliminate the obstacles to trade or through WTO dispute settlement): since 1996, 23 TBR examinations procedures have been initiated. Out of the 23 TBR investigations carried out so far, 12 led to satisfactory actions by a third country; 1 has been terminated since no trade barriers were identified; 1 is still under TBR examination procedures; 5 are under review; and 5 resulted in WTO dispute settlement cases of which in 4 the EU prevailed partly or totally before the panel or Appellate Body (Commission, 2005c: 14). The evidence from the WTO also shows that the EU is the single most important user of the dispute settlement procedure to enforce rights arising from the Uruguay Round (WTO, 2000: 18). Importantly, the EU’s participation in WTO dispute settlement reflects the general willingness of its Member States to cooperate in international negotiations in areas beyond the formal scope of the EU’s competence (Woolcock, 2000; Young, 2002: 35-42), which also enhances the European Commission’s role as a sole negotiator in the multilateral arena.

Some business complaints, however, do not proceed all the way to the WTO dispute settlement level. Bilateral consultations and diplomatic pressure are often used by the EU as a
means of raising individual trade problems and of finding wherever possible an amicable solution. Such bilateral contacts are especially possible in dealing with barriers in third markets which do not involve a breach of international commitments as such. In this respect, the European Commission Delegations play a significant role in helping business to solve trade disputes at the local level (often through direct lobbying of host-government organisations).35

As a result of the EU’s market access strategy launched in 1996, besides the use of TBR the European Commission has also implemented the Market Access Database36 for assisting European exporters. It provides basic information to businesses on the conditions for exporting to and investing in key third country markets. The European Commission has claimed that the market access database receives over 100,000 ‘hits’ per day (Commission, 2001a).

Since 2004, the new management of the Barroso Commission (Jose Manuel Barroso as President of the European Commission and Peter Mandelson as Trade Commissioner), has identified better access to third country markets as one of the top priorities of the EU Trade policy. Such market access strategy can be seen both as a crucial part and as an external aspect of the Lisbon Strategy37 whose aim is to increase growth and jobs in Europe (which are also major focus of the Barroso Commission). In this respect, Mandelson has noted that ‘better access to third country markets for trade and investment represents a major engine of growth and productivity gains […] I regard the EU’s market access strategy as an important competitiveness instrument’ (European Commission, 2005b: 1). During the September 2005 Market Access Symposium, he re-emphasised this significance, by acknowledging that ‘the

35 See Chapter 6, Section 6.4
36 Available at http://mkaccdb.eu.int
37 In March 2000, EU heads of state and government adopted the Lisbon Strategy to make the EU 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion'. On 22-23 March 2005, the Spring Council discussed the Commission’s mid-term review of the Lisbon strategy for economic, social and environmental renewal. More focus on growth and employment, simplification and national ownership via national action plans are the key elements to relaunch the Lisbon reforms agenda. (Euractive website at http://www.euractiv.com/Article?tcnuri=tcm:29-117510-16&type=LinksDossier)
European economy stands or falls on our ability to keep markets open, to open new markets, and to develop new areas where Europe’s investors, investors and entrepreneurs can trade’ (Mandelson, 2005).

2.4.3 Business Dialogue and Networking

Apart from the market access strategy, business dialogue and networking is another form of EU business engagement. Since the mid-90s a number of EU-business alliances have emerged – for instance, the Trans-Atlantic Business Dialogue (TABD), the EU-Japan Business Dialogue Roundtable, the Asia-Europe Business Forum (AEBF), and the EU-MERCOSUR Business Forum (MEBF) - which offer business a leading role in steering economic relations between the EU and third countries. These alliances suggest an important mode for incorporating business into the EU’s formal commercial diplomacy framework. They also establish fora for dialogue and networking between public and private sectors, in which business can discuss behind-the-border barriers to trade and investment with policy-makers and inject useful policy inputs in strengthening economic and commercial relationships between the EU and its economic partners.

In 1995, the TABD was established as ‘an informal process where European and American companies and business associations develop joint policy recommendations to discuss with the EC and US administrations’ (Coen and Grant, 2000: 8-9). Consequently, it developed into the most ambitious private agent in EU-US relations (Cowles, 1998). The initiative came from the European Commission and the US Department of Commerce; ‘the US Secretary of Commerce Ron Brown, together with his counterparts in the European Commission, Martin Bangemann and Sir Leon Brittan38, created the “dialogue” system as a mechanism to encourage public and civil society input to fostering a more closely integrated transatlantic marketplace’ (TABD’s official website at www.tabd.com). Sir Leon Brittan (1996) acknowledged that ‘we [the European Commission] and the American government...

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38 Martin Bangemann was former EU Industry Commissioner 1995-1999; Sir Leon Brittan was former EU Trade Commissioner 1995-1999.
asked businessmen from both sides of the Atlantic to get together and see if they could reach agreement on what needed to be done next. If they could, governments would be hard put to explain why it couldn't be done'.

According to Coen and Grant, the TABD represents a 'business-government policy-making body which brings together top American and European chief executives to co-ordinate business responses to international trade, standards and regulation questions' (2000: 2). Hocking and McGuire added that 'the TABD has taken a clear view about the need for early private sector involvement in the development of economic policies affecting business and has sought to assume the role of an “early warning system” in regulatory trade disputes' (2002: 453).

As a business-led and particularly CEO-led process, the TABD has produced several clear successes, particularly in facilitating intergovernmental negotiations between the EU and US administrations. One of the TABD's vital achievements was its supporting role in reaching the EU-US Mutual Recognition Agreement (MRA) officially announced in Brussels and Washington in June 1997; in fact a number of TABD companies were actively involved in the negotiations (Peterson and Cowles, 1998: 266; CEO, 1999). Moreover, as Peterson and Cowles noted, the Information Technology Agreement (ITA) calling for zero tariffs was also a direct result of TABD negotiations (1998: 266). Following the TABD's achievements in strengthening EU-US economic relations during the 1990s, the TABD was thus recognised by the EU as a model to incorporate business more closely into the EU commercial diplomacy framework, by building a channel for dialogue and networking between government and business sectors, which cuts across formal governmental and departmental responsibilities in political arenas. This in turn provides firms with an institutionalised access to diplomatic and policy-making levels.

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39 However, it is important to note that TABD went through a slump in the early 2000s, before being revived in 2004/2005.
Following the pattern of the TABD, business dialogue and networking has become an important element of the EU’s commercial strategy with the rest of the world. In the late 1990s, a number of other similar structures were also initiated. The AEBF was established in 1996 as part of the ASEM and the MEBF in 1998 as part of the EU-MERCOSUR Interregional Framework for Cooperation Agreement (EMIFCA). The AEBF and MEBF indicate the EU’s use of dialogue and networking as a means to engage business both from Asia and from Latin America, the two emerging economies whose large markets seem to hold the attention of the EU, closely into its ‘hub-and-spoke’ interregional commercial strategy mentioned earlier.

During the first ASEM Summit a specific emphasis was placed on the importance of business and the private sector and both the EU and Asian leaders agreed ‘to encourage the business and private sectors, including Small and Medium Enterprises (SMEs) of the two regions, to strengthen their cooperation with one another and contribute towards increasing trade and investment between Asia and Europe by agreeing to establish in due course an Asia Europe Business Forum’ (Paragraph 14, Chairman’s Statement, ASEM1). The AEBF was initiated only 6 months after the first ASEM Summit with the aim of establishing ‘a dialogue between entrepreneurs’ and ‘a dialogue between businessmen and government representatives’ (Chairman’s Statement, AEBF1).

Another instance of the use of dialogue and networking as instruments for the involvement of business is the EMIFCA which notes that ‘[the EU and MERCOSUR] shall promote cooperation in business with the aim of establishing a climate which favours economic development in their mutual interest’. Such business cooperation shall essentially take the forms of:

(i) more organised contact between the Parties' operators and networks, through conferences, technical seminars, fact-finding missions, attendance at general and specialist fairs and business meetings;

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40 Chapter 6 undertakes the evaluation of AEBF as a form of the EU business engagement in Asia.
(ii) suitable initiatives to back cooperation between small and medium-sized enterprises, such as the promotion of joint ventures, the establishment of information networks, encouraging the opening of trade offices, the transfer of specialist know-how, subcontracting, applied research, licensing and franchising;

(iii) promoting initiatives to increase cooperation between Mercosur economic operators and European associations, with the aim of establishing dialogue between networks;

(iv) training schemes, encouraging the establishment of networks and backing for research (EMIFCA, 1996, Title III, Article 11, Paragraph 3).

Following the above statement of the EMIFCA, the MEBF was established in 1998. While the AEBF seems to produce marginal outcomes in supporting the EU-Asia trade and investment relations (see Chapter 4), a UNICE official viewed that ‘the MEBF is more active in supporting EU-MERCOSUR economic relations [than the AEBF supporting the EU-Asia relations]’ (Interview, UNICE, Brussels, 28 January 2004). For example, as the European Commission has also noted, MEBF has been active in EU-MERCOSUR negotiations for an Association Agreement, which would establish the first ever region-to-region free trade area, by giving the necessary input on the most important technical issues that only business, with the practical experience of companies and federations, is able to provide (European Commission News, 2005).

It has to be noted that while the market access strategy is closely linked to multilateralism, AEBF and MEBF represent the EU’s inclination to incorporate business into its ‘hub-and-spoke’ interregional commercial network (Aggarwal and Fogarty, 2004: 13), in which business can play a crucial role in supporting and strengthening the EU’s economic and commercial interests in different regions of the world. Such forums can be regarded as another example of the EU attempt to play a proactive role as either a ‘catalytic state’, a ‘competition state’ or a ‘cooperation state’. In other words, it consolidates regional networks of trade and investment, by strengthening partnerships with other economic actors (both states and firms). At the same time, this interregional strategy is likely to be supportive of and consistent with the WTO multilateral framework, often referred to by the European Commission as the ‘WTO-plus’ policy (Interview, European Commission, DG Trade, 13 June

41 However, this thesis does not aim to evaluate effectiveness of the MEBF activities in supporting and promoting the EU-MERCOSUR economic relations.
2003). Therefore, it is not surprising that the WTO-plus policy is seen as the basic framework of both the EU’s interregional co-operations and the EU’s business dialogue and networking with Asia and Latin America (See Chapter 4).

2.4.4 Economic Co-operation Programmes

It is increasingly evident (particularly in the case of Asia and Latin America) that the EU’s extensive aid policy is closely linked to its commercial strategy. Thus, economic co-operation programmes are becoming important as commercial instruments towards these regions. Rather than focus only on donating aid and on development assistance, in the late 1990s the European Commission launched a series of economic co-operation programmes which aim at facilitating trade and investment, strengthening business cooperation and increasing cooperation among SMEs between the EU and its economic partners in Asia and Latin America.

In Latin America, examples are: AL-INVEST – a programme intended to encourage relations between companies in the two regions, in particular SMEs; and ATLAS – a project from 2001-2003 to support relations between Chambers of Commerce in both regions. In Asia, for example, there are Asia-Invest Programme, the European Business Information Centre (EBIC), and other EU-ASEAN co-operation programmes. These programmes are managed by the EuropeAid Office of the European Commission, which has been increasingly involved in the EU’s commercial diplomacy framework, alongside DG Trade and DG External Relations.

More specifically, while examining the EU-ASEAN interregional relations (see Chapter 5), it is observed that the EU’s use of economic co-operation programmes can be seen as a ‘soft’ commercial policy instrument, and particularly an indirect business engagement strategy of the EU towards ASEAN (not only ASEAN but also other Asian countries, for example, China and South Asia). These economic co-operation programmes as ‘soft’ commercial instruments adopted by the EU at the interregional (EU-ASEAN) level are
considered distinctive from the AEBF mentioned earlier – which represents an EU formal channel of business engagement at the transregional level (with its close link to the multilateral/global level). In addition, the implementation of these programmes and projects is closely linked to the roles and activities of European Commission Delegations at the local level (See next Section 2.4.5). However, two sets of questions: i) how the EU’s business engagement strategies at transregional and interregional levels differ and ii) the extent to which these business engagement strategies have been successfully translated into business engagement activities in Asia will be illustrated further in Chapters 4 and 5 of this thesis.

2.4.5 Roles of the European Commission Delegations

Last but not least, the roles of the European Commission Delegations in assisting business at local level are vital and worth analysing as part of the EU business engagement. As argued earlier, since the 1990s the EU has expanded its diplomatic network of 130 European Commission Delegations and Offices around the world, working alongside and co-operating with Member State Embassies. These Delegations, as noted above, can be seen as the EU’s external ‘representation’ in third countries. The European Commission has given the following description of their roles and scope:

(i) exercise powers conferred by the treaty on the European Community, in third countries. This means promoting Europe’s interests as embodied in the common policies–chiefly the common commercial policy, but others as well, including the agriculture, fisheries, environmental and health and safety policies
(ii) play a key role in development assistance
(iii) play an increasing role in the conduct of CFSP
(iv) provide support and assistance as necessary to the other institutions and actors of the EU, including the High Representative/Secretary General, the European Parliament, the Presidency and Delegations increasingly serve an important information function, providing background and updates on European integration and EU policies to host Governments and administrations, business circles and civil society (2001f: Paragraph 1).

In most cases, the Delegations still operate alongside the Member State Embassies, which represent individual member states’ interests. Although the European Commission stresses that ‘the Delegations are not there to “compete” with Member State Embassies...the
task of the Delegations, beyond the representation of Community interests, is one of co-
ordination and cooperation in the interests of projecting the image of a Union which is active,
imaginative and united'. Since 'Article 20 of the Maastricht Treaty\textsuperscript{42} also requires the
Delegations and the Member States' diplomatic missions to "co-operate" in ensuring that the
Common Positions and joint actions adopted by the Council are complied with and
implemented' (2001f: Paragraph 1.2), the extent to which the Delegations and Member State
Embassies co-operate and represent the EU common interest in the third country (particularly,
for this thesis, in the commercial diplomacy framework) has to be empirically explored.

This focus on 'what actually happens' follows Bale's (2002:9-10) insistence on the
importance of the 'mundane' level of diplomatic co-operation and the roles of the European
Commission Delegations in third countries, in the context of the EU's Common Foreign and
Security Policy (CFSP). The chapter applies Bale's argument particularly to the area of
commercial diplomacy, in which the EU in many significant respects owns commercial
autonomy and competence (though still shares it with the Member States) and performs some
statelike functions. In this regard, it is argued that the Delegations can be recognised as the
EU's local 'commercial representation', co-operating with Member State Embassies in
assisting business, particularly on the trade policy, WTO issues as well as other commercial
policy issues, i.e., agriculture, which fall under the Union exclusive competence. This leads to
the involvement of Delegations in 'diplomatic co-operation' in third countries (Bale, 2002:
10) thus establishing 'commercial networking' among commercial attachés and counsellors of
the Delegation and Member State Embassies, as well as other national business organisations,
i.e., Chambers of Commerce.\textsuperscript{43}

\textsuperscript{42} Article 20 of the Maastricht Treaty declares: 'The diplomatic and consular missions of the Member States and
the Commission Delegations in third countries and international conferences, and their representations to
international organisations, shall co-operate in ensuring that the common positions and joint actions adopted by
the Council are complied with and implemented. They shall step up co-operation by exchanging information,
carrying out joint assessments and contributing to the implementation of the provisions referred to in Article 20
of the Treaty establishing the European Community'.

\textsuperscript{43} Chapter 6 will detail the 'diplomatic co-operation' and 'commercial networking' in Thailand.
Among the roles and activities of the Delegation mentioned earlier, trade policy and economic and commercial issues seem to be dominant. Nonetheless, it is important to note the different emphasis of Delegations' activities in different host-countries. Thus, although seen as 'embassies without a state' (Bruter, 1999: 183, 203) – i.e. they lack the leadership, the resources and the diplomatic corps – these Delegations do perform some autonomous actions particularly in the areas of trade, and cooperation and development. However, the autonomous actions of the Delegations may vary in places because of the dissimilar technical means of individual Delegations, the nature of the relations between the EU and the host country, and the expected evolution of these links (1999: 196). Bruter distinguishes between three types of Delegations: trade-oriented, development-oriented and mixed. Trade-oriented Delegations are found mostly in developed countries, newly developed East-Asian countries and oil-producing countries. Development-oriented delegations are found in those countries with which the EU has signed development agreements, but which are not major markets for EU companies. So-called mixed Delegations are found in countries that, at present, need help in development but that represent markets of sufficient interest to EU companies in competition with other countries (the USA, Japan). This category includes most of Central and Eastern Europe (CEE) and the most developed Latin-American countries (1999: 196).

Particularly in the case of Asia, the Delegations play a significant role in the opening of local markets and in defending the interests of European business through diplomatic pressure and lobbying host-governments to solve trade disputes and deal with trade barriers in third markets. In addition, as already noted, development projects and economic co-operation programmes are often proposed by the EU in exchange for closer trade relationships and used as means to promote closer business cooperation between the EU and its economic partners.

In May 2000, the Commission adopted the Communication on the reform of the management of external assistance (2000b) in order to improve the EU's external assistance.

44 See Chapter 5 for the case of ASEAN, and Chapter 6 for the case of Thailand.
One of its aspects is the 'Devolution to Delegations’ policy\textsuperscript{45}, which reiterates the roles of the Delegations and enables them to play a key role in implementing cooperation and development programmes. This Devolution-to-Delegations process means that 'anything that can be better managed and decided on the spot, close to what is happening on the ground, should not be managed or decided in Brussels. It will be far easier to ensure effectiveness and ownership of aid management’ (European Commission, 2000b: 20). Thus, ‘the Delegations would take over the management of these EU assistance and co-operation projects, for example, the budgetary and financial management will be transferred to the Delegations in a close co-operation with EuropeAid Co-operation Office in Brussels’ (Interview, European Commission Delegation in Thailand, Bangkok, 26 August 2003).

Furthermore, in July 2002, the European Commission (2002c) adopted a proposal on a new regulation for its co-operation with Asia and Latin America (ALA). This proposal aims to increase the quality, effectiveness and speed of project implementation. The underlying philosophy for the new regulation is characterised by: (i) the achievement of faster commitment and disbursement of aid; (ii) the improvement of the quality of country and regional strategies through rigorous planning for periods of 5 to 7 years; (iii) the development of financial management of assistance through simplified decision-making procedures; (iv) the implementation of aid more coherently through increased co-operation with Member States and other aid donors. This reform of External Assistance involves greater effectiveness in implementing a number of economic and co-operation programmes with Asia and Latin America and thus aims at promoting trade and investment and fostering business co-operation between the EU and these two emerging economies.

In this respect, Romano Prodi (the 1999-2004 President of the European Commission) has stated in supporting an increasing importance of the roles of the Delegations at the ground

\textsuperscript{45} This policy was carried out in stages during the 2001-2004 period. Increasingly, not only Delegations are closely involved in programming, but they can also manage projects directly from start to finish, in close contact with the EuropeAid Co-Operation Office and host country authorities (DG External Relations Website, accessed 7 February 2005).
level that 'the role of the Delegations has changed constantly ...they now carry out tasks relating to almost all the areas where the EU has a part to play. This reflects the Union's growing importance as a world global player (European Commission, 2004b: 5). However, while the focus on managerial reform characteristic of Prodi's Commission 'broke the mould of the Commission's haphazard approach to management change, and the key reforms introduced by External Relations Commissioner Patten clearly made the Commission a more effective donor and project manager of aid and technical assistance, there never existed the formal intention to create a powerful quasi-diplomatic service in parallel to those of the Member States' (Spence, 2005: 2).

In addition, in more specific terms of EU commercial policy, it is important to note that the Delegations do not represent the EU trade and investment promotion agency *per se* (as the US or Japan have in third countries). Individual Member State Embassies and other business agencies (i.e. National Chambers of Commerce) are still responsible for the promotion of trade and investment for their home countries and importantly (as noted earlier in this chapter) investment still does not fall under the EU's commercial competence. In Chapter 6, the roles of the European Commission Delegation and the ways in which it co-operates with the Member State Embassies and other commercial actors in engaging business at local level will be explored in detail by using the empirical study of the EU in Thailand.

**2.5 CONCLUSION**

Chapter 1 set out an analytic background for the thesis by exploring Susan Strange's structural approach and particularly Stopford and Strange's concept of Triangular Diplomacy as a tool to generate questions about the relationships between states (quasi-state) and firms and the differentiated roles of states in the global political economy. Importantly, Strange's approach enabled us to recognise a quasi-state actor like the EU as a valid participant and actor (in its own right) in the global political economy, performing significant strategies and roles alongside states, though it does not represent a state in conventional terms. In this
Chapter, the analysis has turned specifically to the EU as performer of state-functions by exploring the EU's commercial diplomacy in terms of its commercial autonomy, representation, and influence - three 'soft' qualifications of non-state actors to participate alongside states in the global political economy - rather than evaluating the EU in terms of the qualifications of traditional statehood (namely sovereignty, recognition, and control). Through exploration of these 'statelike' qualifications, the chapter has illustrated the characteristics of the EU as a commercial actor and the EU's commercial diplomacy as follows:

Firstly, within the area of commercial diplomacy (of the First Pillar), the EU performs a number of state-functions, for example, forming its own commercial strategies, representing EU common interests and exercising influence in different international arenas, namely multilateral, interregional and bilateral. In particular, the European Commission, despite the fact that its commercial autonomy is still limited by the restriction inherent in the Community's commercial competence and its interaction with the Council within the complex and politicised EU policy-making process, has played a leading role in formulating the EU's commercial strategies and projecting its commercial ideas, priorities, objectives, and influence throughout the rest of the world. Thus, the EU, though it is not a state in traditional terms represents a formidable 'statelike' commercial actor, and through its commercial diplomacy and strategy, the EU can have an immense impact in the global political economy.

Secondly and more importantly, it can be observed that in the 1990s business engagement emerged as a crucial part of the EU's overall commercial strategy. Instead of only protecting its domestic market, in the 1990s the EU strategy seemed to shift towards a more liberal approach. Alongside the old defensive trade policy instruments, the EU initiated a number of new commercial instruments to assist European business to compete with other members of Triad as a means to improve European competitiveness and support the EU's leading position in the global political economy. These instruments include, for example,
market access strategy, TBR, business dialogue and networking (TABD, AEBF, MEBF and etc), economic co-operation programmes, and the roles of the European Commission Delegations in third countries.

Seen against this background, this chapter has argued that business engagement has emerged as part of the EU’s commercial diplomacy and that the EU performs its own business engagement strategy in relations with both states and firms. In this respect, the EU seems to perform a proactive role in engaging business closer into its commercial diplomacy framework, akin to those of ‘competition state’, ‘catalytic state’ and ‘cooperation state’ which embodies the move from ‘confrontation to cooperation’ in its relations with business and firms.

Building on the ideas discussed in Chapter 1 and Chapter 2, this thesis aims to empirically investigate the EU’s commercial strategies and business engagement towards Asia; to explore the ways in which, with what instruments and for whose interests the EU engages or incorporates business into the overall framework of its commercial diplomacy in Asia. Chapter 3 will examine the formulation of EU’s commercial and business engagement strategies towards Asia during 1994-2004, while the detailed investigation and implementation of these strategies into a form of commercial and business engagement activities at different levels in Asia will be dealt with in Chapters 4-6 of this thesis.
Chapter 3
EU-Asian Commercial Relations

3.1 INTRODUCTION
The commercial linkages between Europe and Asia can be traced back to the times of colonialism. Colonialism is perceived by Gilson as an initial form of Western penetration, by Western governments and businesses into Asia (2002: 34). This colonial pattern reveals initial linkages between governments and business or states and markets *per se* since the beginning of Europe-Asia relations. For example, the British extended their interests – often through the East India Company – from India, China, and Singapore into Burma, and took a much greater interest in Malaya. The Dutch East India Company focused on coffee and other plantations on the Indonesian archipelago. Meanwhile, the French came to occupy large tracts of Indochina. The Philippines, which had been conquered by the Spanish in 1521, were subsequently seized by the Americans and annexed in 1899. Japan and Thailand are the only Asian to escape formal colonisation (Gilson, 2002: 34). These European and Asian commercial linkages during the sixteenth-century tend to be explained from the perspectives of realism or mercantilism. As Mauull, Segal and Wanandi (1998: 4) emphasise, the western colonial powers sought to gain taxes, and to impose legal, educational and local authority structures in line with their own national interests, but also to ‘trade and plunder in the region’. Gilpin thus described the exercise of European colonial power in Asia as a ‘malevolent’ form of mercantilism (1987: 32).

However, the period of post-war decolonisation from 1946-1958 meant that ‘the formal colonial structure in South East Asia was effectively dismantled’ (Dixon, 1991: 138), and occurred in parallel with the beginning of the European integration process. Since then, there was a shift from colonial relations towards more equal commercial relations between
Europe and Asia, particularly in the 1990s. This had a two-fold impact on the pattern of Europe-Asia commercial relations:

First, over this period the Triad relationship between Asia, the US and the EU emerged. A significant shift in the global political-economic balance (especially from the 1970s onwards) resulted from 'the end of US pre-eminent power in the global system' and the concomitant 'Europe/Asia Rising' (Preston and Gilson, 2001: 4). The rather underdeveloped relations between Europe and Asia (compared to stronger Transatlantic and Asia-Pacific ties) during the 1970s-1980s underwrote the EU's new strategies towards Asia in the mid-1990s (Preston and Gilson, 2001: 15; Dent 2001).

Second, the structural shifts in the patterns of power within and between Europe and Asia (which reflected the increasing political participation of non-states such as firms and quasi-states such as the EU) challenged the traditional role(s) of the state and the conventional government-to-government relations between Europe and Asia. This process directly links to the 'structural changes' (Strange, 1992, 1994a) and the new state-firm diplomacy (Stopford and Strange, 1991) in the global political economy mentioned in Chapter 1. As argued in Chapter 2 (particularly, in the post-Cold War context) the EU has not only emerged as a formidable commercial actor in the global political economy, but has also become an important player in Asia (alongside its Member States), engaging both states and firms. Hence, one can no longer conceive of Europe-Asia commercial relationships during the post-Cold War period only as traditional government-to-government relations, but that business and firms (non-states) and the EU (a quasi-state) have become significant actors performing commercial roles alongside states in these relationships.

Central in this chapter is, therefore, to give an overview of contemporary EU-Asia commercial relations, particularly the EU's commercial strategies and business engagement towards Asia since 1994 until 2004, which have been translated into EU-Asian institutional

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46 Rather than 'Europe-Asia', this chapter emphasises the 'EU-Asia' commercial relations, due to the focus of this thesis on the EU as a commercial actor on its own right in Asia (while acknowledging the importance of Member States in this relationship).
frameworks at different levels: transregional (ASEM), interregional (EU-ASEAN) relations, and bilateral relations with different Asian countries. In this way, the chapter addresses the first research question of this thesis: what are the main features of the EU’s commercial strategies towards Asia and how have they been translated into the EU-Asian institutional frameworks at different levels of EU commercial engagement in Asia? Specifically, how far do these strategies reflect a multi-level approach, and how far do they reflect the aims of business engagement?

In undertaking this analysis, this chapter distinguishes the EU’s commercial strategies between: (i) strategy ‘formulation’ – what the EU/or the European Commission is aiming to achieve in Asia; and (ii) strategy ‘implementation’ – how and in which way these strategies have been translated into action. In doing so, the chapter first examines the development of the EU’s Asian strategies (as formalised by the European Commission) since 1994, focusing on their objectives, priorities and instruments in Asia, and argues that business engagement (mentioned in Chapter 2) is evidently seen as a crucial part of the formulation of EU’s commercial strategies towards Asia. Secondly, in terms of strategy implementation, the chapter distinguishes three levels of EU’s commercial engagement in Asia: transregional (ASEM), interregional (EU-ASEAN) dialogue and bilateral relations between the EU and different Asian countries, in which the EU seems to have different commercial instruments and strategies and to perform different roles. This reflects the EU’s multi-level approach towards Asia. Thus, before moving on to the detailed investigation of the EU’s commercial and business engagement in Asia in Chapters 4-6, the chapter concludes that business engagement has emerged as a crucial but differentiated part of the EU’s commercial strategies towards Asia.
3.2 THE EU'S COMMERCIAL STRATEGIES TOWARDS ASIA: FORMULATION OF STRATEGY

Within the EU's complex policy-making processes (described in detail in Chapter 2), the European Commission plays a leading role in terms of strategy formulation – formulating commercial ideas, objectives, and priorities towards the rest of the world on behalf of the EU. It was not until the beginning of the 1990s that the European Commission started to adopt its first explicit Asian strategy\(^7\). In this part, the chapter explores the development of the European Commission's Asian strategies since 1994, which illustrates the EU’s strategic objectives, ideas and priorities in Asia.

3.2.1 The Early 1990s: The ‘Look East’ Policy and the 1994 ‘New Asia Strategy’

Although several EU Member States have had long-standing economic and commercial ties with Asia stemming from European colonisation of Asian territories, during the 1970s-1980s Asia was relatively ignored as a rest of the EU’s preoccupation with ‘matters close to home’ (Wiessala, 2002). Traditionally, the EC’s early relations with Asia were less structured than those with either ACP countries, the CEE countries, or the Mediterranean countries. The strong historical and geopolitical ties dictated that the EU’s association agreements with the ACP countries and the post-1989 changes in Eastern Europe took precedence over an Asian strategy. Therefore, a heavy concentration on the CEE and Mediterranean countries, and a focus upon intraregional rather than interregional and external relations characterised EU policy during the 1970s and 1980s. As Piening (1997: 143) put it, ‘the EU was focusing too much on its immediate neighbours while neglecting the wider world’.

Yet, early in the 1990s, the EU adopted a ‘Look East’ policy (Richards and Kirkpatrick, 1999: 689-690) as a result of the growing awareness that Asia is both a ‘challenge’ and an ‘opportunity’ for Europe. Phatharodom (1998: 1) called this period a ‘new

\(^7\) A list of the European Commission’s strategies towards Asia during 1994-2004 shown in Annex 3.1, page 331.
era of EU-Asian relations marked by a new European strategy’. According to Richards and Kirkpatrick, ‘as for the fast growing economy and the huge market of the Asian region, the EU’s Asian policy started to change at the beginning of the 1990s when a more positive and proactive Look East policy was adopted, placing Asian markets near the centre of the EU’s new strategy for globalising its economy and its view of international relations’ (1999: 689-690). In response to the Asian challenges and opportunities, the European Commission (1994) adopted its first Asian strategy in 1994 called ‘Towards a New Asia Strategy’ (referred to by this chapter as the ‘New Asia Strategy’). Both the Asian economic boom and the increasing influence of the US in the region (through the establishment of the Asia-Pacific Economic Cooperation forum (APEC) in 1993) had a catalytic effect on the development of this strategy. While APEC involved cooperation between the US and 28 countries around the Pacific Rim, it became evident that the EU would be excluded and miss out on the benefits from the economic exchange with the region. Thus, in order to maintain its economic interests in Asia (and balance the US position in the global system), the EU had to make its presence felt and play a more proactive role in the region. The Commission acknowledged this rationale by its explicit statement that ‘the rise of Asia is dramatically changing the world balance of economic power...the EU needs therefore to accord Asia a higher priority than is at present the case...and to strengthen the Union’s economic presence in Asia in order to maintain the Union’s leading role in the world economy’ (1994: 1-2). Moreover, the Commission went on to list the following objectives of the EU in Asia:

(i) to benefit from the economic opportunities and to respond to the economic challenges in the region which contains the world’s fastest growing countries, and which could represent between a quarter and a third of the world economy by the year 2000;

(ii) to integrate into the open, market-based world trading system those Asian countries such as China, India or Vietnam which are moving from state controls to market-oriented economies; and

(iii) to assist in the enormous problem of poverty alleviation (1994: 5-10).

Phatharodom (1998) identifies three distinct phases in the EU-Asia relationship: (i) the first phase (1967-1980) began setting up the machinery for regular institutional contact; (ii) the second phase (1980-1994) focused on broadening economic and political contacts; (iii) the third phase (1994-present) bears witness to a ‘new era’ of EU-Asia relations.

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In this context, it is clear that while political motives are mentioned in general terms, it is economic and commercial interests that dominate the ‘New Asia Strategy’. Such a reading of this first Asian strategy of the EU seems to show that instead of ‘Asian states’, in the early 1990s it focused mainly on ‘Asian markets’. Thus, the development of new and proactive EU commercial strategies for promoting and assisting European businesses expose the Commission’s apprehension that:

‘The Union stands to lose out on the economic miracle taking place there [in Asia] because of the strong competition: from Japan and the United States, and also increasingly from companies within the region's newly industrialised and capital rich countries such as Korea or Taiwan... If European companies are unable to take a full share of the world’s main centre of growth in the next decade this will affect their profits and competitiveness, not only in Asian markets, but also world-wide’ (European Commission, 1994: 13).

Therefore, the EU’s role is ‘to pursue market-opening for both goods and services and to overcome obstacles to European trade and investment by encouraging a favourable regulatory environment for business in Asia’ (1994: 2). The Commission further maintained that ‘this can only be achieved by the Union and its Member States in co-ordination and with the direct participation of the European private sector’ (1994: 10). In this respect, the chapter argues that the 1994 New Asia Strategy tends to be perceived both as the initiation of the EU’s business engagement in Asia and as a reflection of the EU’s intention to play a more proactive role in its relations with businesses and in assisting them to access Asian markets. These developments corroborate the proposition developed in Chapters 1 and 2 that the EU has performed a proactive role, comparable to those of ‘competition state’, ‘catalytic state’ and ‘cooperation state’ embodying ‘co-operation’, rather than ‘confrontation’ with firms and businesses in order ‘to create wealth and to survive competition in the global political economy’ (Stopford and Strange, 1991).

Subsequently, the 1994 New Asia Strategy was elaborated further for specific countries or sectors in a number of more targeted Commission strategies, dealing for example

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49 This point will be also elaborated further in Chapter 4, particularly on ASEM as the EU’s transregional commercial engagement in Asia in Section 4.3.
with the EU’s relations with China, India, and in the energy sector. More importantly, in July 1996 the European Commission (1996c) announced the Communication ‘Creating a New Dynamic in EU-ASEAN Relations’ which was the first European Commission strategy paper dealing with ASEAN since the EC-ASEAN interregional dialogue that began in 1980. This was followed by the establishment of ASEM in 1996 as a mechanism for regional cooperation in which the EU’s economic relations with East Asia ‘are hoped to flourish’ (Dent, 1997: 495). These strategies adopted by the European Commission up to the mid-1990s reflect the EU’s initial efforts to establish a framework for the EU’s commercial diplomacy, and more particularly positive business engagement with Asia. However, such an attempt on behalf of the EU can be seen as relatively belated, in comparison to that of the US and Japan which had already established strong commercial and business linkages with Asia.

3.2.2 The 1997-1998 Asian Financial Crisis and the 2001 Updated Asian Strategy

The Asian financial crisis started in July 1997 not long after the EU’s first major effort to establish its commercial diplomacy framework and promote business engagement with Asia. The crisis called into question not only the economic health of Asia, but also probed the response of various regional organisations. For instance, Chirathivat (1999: 13) argued that ‘the ASEAN grouping has not been effective enough to cushion the crisis impact on its individual members’. In a similar vein, Dosch (1999: 9) noted that the ‘under-institutionalisation’ of ASEAN and APEC has revealed their inadequacy in dealing with ‘the crisis situation’. Instead, rescue operations in the affected countries were undertaken under the control of the International Monetary Fund (IMF), a global financial institution in which the US plays a leading role.


51 The differences between the EU’s strategies in ASEM and EU-ASEAN relations will be discussed in detail later in this Chapter and in Chapters 4 and 5, respectively.
On a positive note, however, Sir Leon Brittan (1999) has maintained the centrality of the EU’s response to the Asian crisis (as part of the IMF framework) because the ‘EU Member States contributed substantially to the bailout packages. About 18 percent of the total came from Europe, more than the US’ 16 percent and close behind Japan’s 20 percent’.

Moreover, ‘in concrete terms, the EU agreed to contribute to an ASEM Trust Fund at the World Bank, appointed a special envoy to the region and created a team of European financial experts to advise ASEM governments’. On the other hand, Forster (1999: 756) has argued that the EU’s response was ‘modest’ for a variety of reasons – notably lack of geographical proximity, economic asymmetry, and preoccupation with CEE. Forster went on to argue that ‘despite warm words of solidarity from Tony Blair, the host of the ASEM2 [Summit], proclaiming “that Europe is and will stand by Asia in its hour of need”, little of substance has been forthcoming in part because the Europeans felt they had contributed through the IMF’ (1999: 756). In this context, despite some supportive assistance from the EU via global institutions such as the IMF, the World Bank and the ASEM Trust Fund, it did not seem to perform better than ASEAN or APEC in responding to the crisis. Rather, the EU seemed to miss a vital opportunity to demonstrate the stronger attention towards Asia that it had stressed in its 1994 New Asian Strategy. Such an unconvincing response tends to demonstrate ‘the limited convergence of interests between the two regions’ and that ‘South East Asia will remain a marginal area of engagement for the EU’ (Forster, 1999: 744). Wiessala also noted that ‘this indifference confirmed some of the constraints of EU-Asian relations’ (2002: 28). In turn, as a result of the financial crisis there was a drastic decrease in European investment rates in Asia, reaching its lowest figure in 1998, down to 1.6% of EU global FDI. At the same time, there was an increase of EU investment to NAFTA (the US, Canada, and Mexico).

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52 The ASEM Trust Fund coordinates the EU programmes for consolidation of the process of economic and social reform in the Asian countries affected by the financial crisis of 1997. The ASEM Trust Fund Phase I was undertaken from 1997-2002 and ASEM Trust Fund Phase II from 2002-2005.
reaching 63.1% of the total EU outward FDI in 1998 and 67.5% in 1999 (European Commission 2001d, Table: EU FDI (extra-EU), 1995-1999).

Moreover, during the 1997-1998 Asian financial crisis, EU-ASEAN relations were also embittered by unsolved political problems, particularly the human rights and democracy situation in South East Asia which had long been obstructing the further development of EU-ASEAN interregional relations. The East Timor human rights problem led Portugal to object to giving the Commission a mandate to negotiate a third-generation Cooperation Agreement with ASEAN as proposed in 1996, and Myanmar’s accession to ASEAN also resulted in frozen relations between the two institutions during 1997-1999 (explored in more detail in Chapter 5).

Following the Asian financial crisis and the embittered relationship with ASEAN in the late 1990s, in 2001 the European Commission (2001c) adopted an updated Asian strategy called ‘Europe and Asia: A Strategic Framework for Enhanced Partnerships’. Its stated aim was ‘to review and update its approach to Asia, to provide a new strategic framework which will address the changes since 1994, and to establish a coherent, comprehensive and balanced strategic approach for its relations with Asia in the coming decade’ (2001c: 5). In this strategy paper, the European Commission (2001c: 8) identified the following trends: in Asia, the 1997-1998 Asian economic crisis and more importantly the increasing efforts to build “East Asian” regional dialogue and co-operation (i.e. the birth of the “ASEAN+3” dialogue with the gradual strengthening of the ASEAN Regional Forum (ARF) as a confidence-building forum) with increasing signs of a growing sense of East Asian identity; in Europe the launch of the Euro as a single currency in 1999, and EU Enlargement from 2003 onwards; at the global level, the further strengthening of the multilateral trading system under the GATT, and now the WTO. In order to cope with these changes, the objectives of the EU in Asia stated by the Commission in this updated Asian strategy are to:
(i) contribute to peace and security in the region and globally, through a broadening of our engagement with the region;
(ii) further strengthen our mutual trade and investment flows with the region;
(iii) promote the development of the less prosperous countries of the region, addressing the root causes of poverty;
(iv) contribute to the spreading of democracy, good governance and the rule of law;
(v) build global partnerships and alliances with Asian countries, in appropriate international fora, to help address both the challenges and the opportunities offered by globalisation, and to strengthen our joint efforts on global environmental and security issues;
(vi) and help strengthen the awareness of Europe in Asia (and vice versa) (2001c: 15).

Thus, following in the footsteps of the 1994 strategy, the 2001 updated strategy continued to emphasise economic and commercial issues as one of the EU’s major interests in Asia. Its underlying objectives are to: ‘further develop the bilateral economic relations with Asian partners, strengthen private-sector cooperation between Europe and Asia through support for contacts between economic operators in Europe (particularly SMEs) and in Asia, strengthen a dialogue on economic and financial policy’ (Commission, 2001c: 16). However, it is noticeable that unlike the previous strategy in which economic interests were dominant, this strategy offers a more balanced mixture between economics, security, and development issues. Thus, despite its broad scope, the 2001 strategy represents an updated approach to ensure the EU’s interests in Asia during the period of post-Asian financial crisis.

3.2.3 Asian Diversity and Sub-Regional Strategies
‘Diversity is clearly a major characteristic of Asia’ emphasised the EU Trade Commissioner during 1999-2004, Pascal Lamy (2003: 3) while addressing the 2001 updated strategic framework for the EU’s overall relations with Asia. Given the diverse economic, political and cultural geography of Asia, the Commission’s 2001 updated Asian strategy geographically divided the region into four sub-regions:

(i) South Asia: through the South Asian Association for Regional Cooperation (SAARC) and in particular the bilateral relationship with India;
(ii) South East Asia: through the ASEAN and the ARF;
(iii) North East Asia: China, Hong Kong and Macao, Taiwan, Japan, Korean Peninsula;
(iv) Australasia: Australia and New Zealand (2001c: 6)
While the 1994 Strategy paper covered South, South East and North East Asia, it is important to note that the 2001 updated strategy covers, for the first time, Australasia—"given that the economic and political links of Australia and New Zealand with their neighbours to the north, and their geographic proximity, are sufficiently great that they should be treated here as part of the wider Asian and Asia-Pacific region" (Commission, 2001c: 6). Moreover, at that time while ASEM membership remained problematic, i.e., the membership of Myanmar and new EU Member States after the 2004 enlargement, in this strategy the European Commission considered the possibility of also including Australia and New Zealand into the ASEM process (2001c: 25). Despite the definition of Asia given by the Commission (1994, 2001c), this thesis only aims to cover the two sub-regions of South East Asia and North East Asia or the Asian ‘ASEM10’.

It is important to notice that the four sub-regions comprise relatively independent groupings with little in the way of common structures and few fully fledged common policies. South East Asian countries integrate among themselves as the ASEAN, while South Asia operates through the SAARC. South East Asia and North East Asia cooperate with each other through the fora of ASEM or ASEAN “plus 3” (i.e. China, Japan, South Korea). But South Asia, Australia and New Zealand are not even included in the ASEM process. In 2004, the ASEM5 Summit only extended ASEM membership to cover 10 new members of the EU, and 3 new members on the Asian side. India is also linked to ASEAN via the ARF. (See Figure 3.1) Importantly, ‘in contrast to the EU’s relations with Latin America or with the Mediterranean or ACP countries, there is no one inter-regional forum in which Europe and Asia interact’ (Commission 2001c: 25).

Building on this great diversity in Asia, the 2001 updated Asia strategy, therefore, calls for sub-regional strategies and approaches to be developed (European Commission, 2001c: 26). Rather than a single strategy across the whole region, it argues that the EU needs different strategies for different levels of its commercial and political engagement. In effect,
Chris Patten has admitted that 'given the sprawling variety of Asia, it is absurd to think of a monolithic EU-Asia relationship: a single policy or approach, equally valid across the whole region' (Patten, 2002). In this respect, the European Commission has adopted a number of sub-regional strategies as instanced by the ‘New Partnership with South East Asia’ and ‘A Maturing Partnership – Shared Interests and Challenges in EU-China relations’ in 2003.

To conclude the argument so far, the EU’s Asia strategies formulated by the European Commission from the early 1990s until recently, are not only characterised by diversified strategic approaches towards different sub-regions in Asia, but also reflect the primacy of economic and commercial interests. In particular, during the mid-1990s, the Commission’s New Asia Strategy in 1994 and the creation of ASEM in 1996, can undoubtedly be seen as reflecting the EU’s major concern – its commercial and business interests in the Asian region. For the EU, and particularly the European Commission, its interests in Asian markets, rather than Asian states, were a key rationale behind initiation of these strategies. In this respect, the EU as an economic power in the global political economy could not risk being excluded from the growing markets of Asia, while the US and Japan had already asserted their commercial influences and their businesses have long been in the region.
Figure 3.1: Regional Groupings in Asia (2000)

ASEM in the regional context

AMM-PMC*

ASEAN

APEC

Hong Kong
Chinese Taipei

ASEM

15 EU member states and the European Commission

ASEAN

Thailand
Singapore
Malaysia
Brunei
Indonesia
Philippines
Vietnam

China
S. Korea
Japan

Australia
New Zealand

Cambodia
Laos
Myanmar

India

Bangladesh
The Maldives
Nepal
Pakistan
Sri Lanka

Asean Regional Forum

SAARC

Acronyms:
AMM-PMC: Asean Ministerial Meeting - Post Ministerial Conference
ASEM: Asia-Europe Meeting
ASEAN: Association of Southeast Asian Nations
APEC: Asia-Pacific Economic Cooperation
DPRK: Democratic peoples' Republic of Korea
EALAF: East Asia-Latin America Forum
SAARC: South Asian Association for Regional Cooperation

* In AMM-PMC, EU is represented by EU Troika.

Source: European Commission, 2000a: 17
3.2.4 Unevenness in EU-Asian Trade and Investment

It is important to note that while the Asian region as a whole (in this case the ASEM10) has been the EU’s major trading partner for both imports and exports, EU FDI flows towards Asia are relatively low\(^\text{53}\). Notwithstanding the phenomenal economic success within Asia in the early 1990s, the region had consistently failed to become a priority area for EU investors. In 1996 the Commission (1996d), realising that EU businesses were failing to capitalise on the opportunities offered by the ‘East Asian miracle’, adopted the Joint UNCTAD/European Commission report ‘Investing in Asia’s Dynamism: European Union Direct Investment in Asia’ in order to encourage more EU FDI towards Asia; however, the trend did not improve. The EU provided Asia with only a small share of its total FDI. According to the Commission (2001c: 35-36), during the 1995-1999 period the average FDI flows from the EU to Asia amounted to only 11.488 billion Euros, representing only 7.8% of EU total outward FDI, of which North East Asia (China, South Korea, and Japan) accounted for 7.525 billion Euros or 5.1%, and ASEAN only 0.511 billion Euros or 0.3% of EU total FDI (See Figure 4.5 in Chapter 4). Some of the reasons for this neglect include the European business focus for the most part on new enterprises in CEE, continuing problems with Asian tariff and Non-Tariff Barriers (NTBs), structural differences in economic organisation and the dominant presence of American investors and traders (Gilson, 2002: 65).

Moreover, the financial crisis in 1997-1998 further decreased FDI levels from the EU. Among the Triad, the EU seems to be a rather reluctant investor and European businesses are underrepresented in Asia, compared to the US and Japan. On the other hand, in terms of trade, as mentioned earlier, Asia accounted represents one of the largest trading partners of the EU in the world – accounting for 22.6% of the total EU trade imports and exports in 2004 (European Commission, 2005d: 1). Moreover, there was an overall increasing trend in EU-Asia trade during this 1996-2004 period and a rapid recovery from the financial crisis which

\(^{53}\) See EU-ASEAM10 trade and investment statistics in Section, 4.2 in Chapter 4.
only resulted in a sharp decrease of EU exports to Asia in 1998 (2005d: 1). Importantly, it is worth noting that this unevenness in the EU-Asia trade and investment trends coincides with the unevenness of EU commercial competence discussed in Chapter 2: while the EU holds an exclusive competence in trade, investment is still under Member States’ competence.

Furthermore, the post-Asia economic crisis period has also shown the EU’s strong interests in promoting more trade and investment and maintaining its position in Asia. In order to maintain its leading role in the global political economy, it is important that the EU engages Asia and plays a more proactive role promoting trade and investment and supporting business between the two regions. Therefore, a business engagement strategy can be seen as a crucial part of the EU’s commercial strategies towards Asia during 1994-2004. Next the chapter will examine the way in which these Asian strategies and sub-regional strategies formulated by the European Commission mentioned earlier are translated into more specific institutional frameworks at different levels of EU commercial engagement in Asia.

3.3 THE THREE LEVELS OF EU’S COMMERCIAL ENGAGEMENT IN ASIA

This part of the chapter examines how and in which ways the strategic objectives, ideas and priorities of the European Commission set out in its Asian strategies have been translated into specific institutional frameworks of the EU in Asia. In South East and North East Asia which are the focus of this thesis, the EU’s commercial engagement can be identified at three distinctive but interconnected levels:

- (i) ‘Transregional’: the Asia-Europe Meeting (ASEM)
- (ii) ‘Interregional’: the EU-ASEAN relationship (or dialogue)
- (iii) ‘Bilateral’: relations between the EU and Asian countries

54 While recognising the diversity in the term ‘Asia’, it is important to note that this thesis focuses primarily on South East Asia and the ASEM Members in North East Asia (or the Asian ASEM 10 – Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam, China, Japan, South Korea.), while excluding South Asia and Australasia from its focus.

55 The order used in this chapter is from transregional, interregional, to bilateral levels, according to the degree of inclusiveness of these three levels of engagement, but not historically as Rüland (2001a: 5; 2001b: 44) did when presenting the concepts of bilateral interregionalism and transregionalism.
Within this multi-level analysis of EU commercial engagement in Asia, there are two interconnected levels of EU regional engagement in Asia, namely the ASEM (transregional level) and the EU-ASEAN dialogue (interregional level), which have overlapping memberships and activities. ASEAN members are members of both the ASEM and the EU-ASEAN dialogue and both have a common aim of strengthening economic ties between two regions through a range of activities, for example, trade facilitation and investment promotion. In addition, there exist traditional bilateral relations between the EU and different Asian countries.

However, it is important to note that these two interconnected levels of the EU's commercial engagement in Asia are different in nature, and that the EU has different objectives and strategies and plays different roles within them. As Commission officials, both from DG Trade and DG External Relations confirm, ASEM and EU-ASEAN relations are different, but complementary, frameworks. They have different aims and objectives (Interview, European Commission, DG Trade, Brussels, 28 January 2004; Interview, European Commission, DG External Relations, Brussels 27 January 2004).

In order to explore the different natures of ASEM and the EU-ASEAN dialogue, this chapter follows Rüland (2001a: 5; 2001b: 44) in focusing on two types of interregionalism:

First, an older bilateral interregionalism or bi-regionalism can be traced back to the 1970s. Bilateral interregionalism such as the EU-ASEAN relationship can be defined as group-to-group dialogues with more or less regular meetings centring around exchanges of information and cooperation (projects) in specific policy fields (trade and investment, environment, crime prevention, narcotics trafficking etc.). It is based on a low level of institutionalisation, usually at the ministerial, ambassadorial and senior officials levels, sometimes supplemented by permanent or ad hoc experts working groups. There are no common overarching institutions, and both sides rely exclusively on their own institutional infrastructure (Rüland, 2001a: 5). Second, nascent forms of transregionalism emerged in the
1990s. As Rüland notes, transregional institutions such as the ASEM or the APEC forum have a more diffuse membership which does not necessarily coincide with regional organisations and may include member states from more than two regions. New members of regional organisations represented in a transregional forum will not be automatically allowed to enter the respective forum. As the agenda grows in complexity, transregional fora may, unlike bilateral interregional relations, develop their own organisational infrastructure such as a secretariat for research, policy planning, preparation and coordination of meetings and implementation of decisions (2001a: 6).

Rüland also notes that these two types of interregionalism are defined on the basis of the vast literature on regionalism. In this regard, he distinguished two waves of regionalism. The first wave in the 1950s and 1960s was basically inspired by the early successes of European integration. It gave rise to the formation of regional organisations particularly in Latin America and to a lesser extent in Asia, Africa and the Arab world. This first wave of regionalism is thus related to bilateral interregionalism. A second wave of regionalism, known as the New Regionalism, can be observed from the mid-1980s onward and is usually closely linked to the unfolding forces of economic liberalisation and globalisation. The New Regionalism is related to transregional institutions such as ASEM and APEC created during the 1990s (2001a: 4-5).

In relation to Rüland’s characterisation, the ASEM is associated with New Regionalism and ‘transregionalism’, while the EU-ASEAN group-to-group dialogue that emerged in the 1980s can be seen as part of the first wave of regionalism and ‘bilateral interregionalism’. Additionally, the EU still pursues its bilateral relations with different Asian countries. Therefore, following Rüland, the three levels of the EU’s engagement in Asia are:

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56 This chapter aims neither at an overview of the vast literature on regionalism, nor provides a deep analysis of its patterns. Instead, the analysis here refers to regionalism as a broad concept to explain the EU’s commercial engagement in Asia.
transregional, interregional\(^5\), and bilateral. These three levels can also be seen as part of the global and multilateral level or multilateralism. Next the three levels of the EU’s commercial engagement in Asia will be explored in detail.

3.3.1 ‘Transregional’: The Asia-Europe Meeting (ASEM)

Since its first meeting in Bangkok in March 1996, the ASEM has been seen as a significant focus of the EU’s commercial engagement in Asia at the transregional level. In many crucial respects, the decision to launch the ASEM in 1996 reflected both ASEAN and EU attempts to find a new mechanism to revitalise their relationships which ‘fell well short of new expectations on both sides’ (Forster, 1999: 752). The establishment of ASEM was seen to offer ‘a way out of the deadlocked and rather stale relationship with ASEAN’ (Forster, 1999: 752) and a new mechanism for EU commercial engagement in Asia.

When the ASEM was first initiated, some scholars even argued that ASEM became the principal focus of Europe-Asia relations, eventually replacing the EU-ASEAN relationship as the process gathered momentum (Leifer, 1998). Pelkmans in a similar vein noted that while the ASEAN-EU framework has never had a summit meeting, ASEM began with one and more were to follow. Thus, ASEM might develop the same potential problem that APEC posed for ASEAN: ‘higher speed, greater intensity of work and regular summits driving the process’, while ASEAN-EU relations have ‘only slowly developed and with much less vision and determination’ (1997: 49).

Moreover, it was also observed that some ASEAN countries were driven by fear of being suffocated by the Asian giants in ASEM. As Lim noted, ‘ASEM might have opposing effects on EU-ASEAN relations by enhancing a much wider Asian context and focus for the EU than ASEAN only. ASEM might be seen as risking to dilute the bond between ASEAN and EU’ (1999: 5). This reaction was not surprising because at the beginning of the ASEM,

\(^{5}\) In this thesis, the term ‘interregional’ is used, instead of Rüland’s ‘bilateral interregional’. This is to avoid confusion between bilateral and interregional levels.
the EU seemed to give more emphasis to the ASEM process than to the EU-ASEAN relationship, which was obstructed by political problems. In particular the EU saw the ASEM economic process as a new mechanism to strengthen trade and investment between EU and Asia. Although the ASEM comprises three major pillars – economic, political and cultural – its economic dimension has always been dominant and seems destined to make the most progress.

Under the ASEM economic pillar, a number of meetings between both economic and financial ministers from both sides have been initiated, and trade and investment action plans, including the Trade Facilitation Action Plan (TFAP) and Investment Promotion Action Plan (IPAP), have also been put forwarded. Moreover, the Asia-Europe Business Forum (AEBF) – a business body which was established as an integrated part of the ASEM economic pillar, tends to indicate the most institutionalised expression of the EU’s business engagement strategy in Asia. However, after almost a decade of its operation, the ASEM’s and the AEBF’s capability to produce tangible outcomes in strengthening EU-Asian commercial relations still seems under question. 58

3.3.2 'Interregional': the EU-ASEAN Relationship

The EU-ASEAN interregional dialogue which began in the 1970s has been recognised as a cornerstone of EU-Asia relations. Edwards and Regelsberger (1990: 4-5) noted the importance of interregional or group-to-group dialogue, which began to take shape in the mid 1970s with the Euro-Arab Dialogue and cooperation with the ACP Group within the Lomé Convention of 1975, followed later by agreements with Mediterranean countries. Thereafter, contacts were extended towards Asia in the form of EC-ASEAN interregional dialogue. As already noted, in the 1990s, there can be seen an increasing importance of interregional dialogue as a pattern of the EU strategies towards different regional groupings in the world (Aggarwal and Fogarty, 2004; Alecu de Flers and Regelsberger 2005), though some of them

58 The evolution of the ASEM economic framework and particularly the AEBF as the centrepiece of EU business engagement in Asia will be dealt with in Chapter 4.
'have either faded away (as in the case of the CEE countries once they became EU members), have been subsumed into other models (as with the Euro-Arab dialogue) and/or are to be understood as ad hoc working relations between the European Commission and third partners' (Alecu de Flers and Regelsberger 2005: 322).

The EC was in fact the first dialogue partner to establish informal relations with ASEAN in 1972, and then the formal EC-ASEAN Co-operation Agreement was signed in 1980. Since then, relations between the EC/the EU and ASEAN have been based on this agreement. Partners to the agreement are the EC and the countries of ASEAN (Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam); but Myanmar, Laos and Cambodia, although now members of ASEAN, have not yet signed. This agreement is not preferential and covers ‘trade, economic cooperation and development’ with the common will ‘to contribute to a new phase of international economic cooperation and to facilitate the development of their respective human and material resources on the basis of freedom, equality and justice’ (EC-ASEAN Cooperation Agreement, Kuala Lumpur, 7 March 1980).

On the basis of the 1980 Agreement, EU-ASEAN interregional relations have been developed within a broad framework emphasising issues of technical assistance and commercial and economic cooperation (in addition there are three bilateral ‘third generation’ agreements with Vietnam in 1996, Cambodia and Laos in 1999, prior to their inclusion in ASEAN).

However, the relatively limited interest of the EU in ASEAN in its early years of co-operation (1970s-1980s) can be observed. Later EU attempts to implement its first ASEAN strategy adopted in 1996 were hampered by the political problems in South East Asia (especially Myanmar’s accession to ASEAN in 1997) and the financial crisis in 1998. Such factors led to the failure of the Commission’s first attempt to adopt a new EC-ASEAN Co-operation Agreement and then to the relatively frozen state of relations during the late 1990s.

\[59\] In particular these third generation agreements feature the so-called ‘essential element clause’ concerning the human rights and democratic principles. Other provisions concern intellectual property rights, environment, information and drug abuse control, which are not covered in the EC-ASEAN agreement (European Commission News, 2003).
After some years of frozen relations, there was a reactivation of EU-ASEAN interregional relations when the Commission announced a ‘New Partnership with South East Asia’ strategy and the Trans-Regional EU-ASEAN Trade Initiative (TREATI) in July 2003, which represented a more flexible EU approach to managing its relationship with ASEAN. The detailed investigation of the EU’s commercial and business engagement through EU-ASEAN relations, particularly the Commission’s 2003 ASEAN strategy and TREATI as a new EU approach towards ASEAN during the beginning of 2000s will be undertaken in Chapter 5.

3.3.3 ‘Bilateral’: Relations between the EU and Different Asian Countries

Apart from two types of regional relations – ASEM and EU-ASEAN – the EU also engages Asia through its bilateral relationships with different countries in the region. Traditionally the EU conducts its bilateral co-operation with many countries and regions in Asia, as elsewhere, in the framework of Trade and Co-operation Agreements. In the case of ASEAN, it is important to notice that there is no bilateral Co-operation Agreement with individual members of ASEAN\(^60\), but only the 1980 EC-ASEAN Co-operation Agreement, which is outdated and has not yet been updated due to political issues (See Chapter 5, Section 5.2.4). Nonetheless, the Commission’s new ASEAN strategy adopted in 2003 has offered an opportunity for bilateral agreements with different ASEAN countries, replacing the 1980 EC-ASEAN agreement (2003a: 4). As the External Relations Commissioner from 1999-2004, Chris Patten emphasised: ‘today’s Communication sets out a flexible strategy for deeper co-operation with individual countries within a regional framework’ (European Commission News, 2003). This reflects a growing emphasis of the EU’s Asian strategies on a bilateral approach, but within the regional framework. Thus this section focuses on the management of EU bilateral relations through the networks of relations conducted via European Commission Delegations.

When taking into account the EU’s representation in third countries, the EU’s bilateral relations are managed through the European Commission Delegations in different Asian

---

countries, working alongside and co-ordinating with Member State Embassies. Since the 1990s the European Commission has been expanding its network of Delegations in Asia from 10 Delegations in 1994 to 19 Delegations in 2004 (see Table 3.1). Recently, new Delegations were opened, for example, in Singapore (in January 2003) and in Malaysia (in April 2003) as well as a European Economic and Trade Office in Taiwan (in March 2003). The Commission emphasised an economic rationale: 'the growing commercial importance of Malaysia and Singapore major trading partners of the EU... and Taiwan soon joining the WTO the Commission is expected to have a major role in monitoring market access, the application of WTO commitments, and other matters related to its policy' (2001f: Paragraph 3.2)

Table 3.1: List of European Commission’s Delegations and Representation Offices in Asia

<table>
<thead>
<tr>
<th>No.</th>
<th>City</th>
<th>Accredited To</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Katmandu</td>
<td>accredited to Nepal</td>
<td>2002</td>
</tr>
<tr>
<td>2.</td>
<td>Vientianne</td>
<td>accredited to Lao PDR</td>
<td>2003</td>
</tr>
<tr>
<td>3.</td>
<td>Taipei</td>
<td>accredited to Taiwan</td>
<td>2002</td>
</tr>
<tr>
<td>4.</td>
<td>Singapore</td>
<td>accredited to Singapore</td>
<td>2003</td>
</tr>
<tr>
<td>5.</td>
<td>Kuala Lumpur</td>
<td>accredited to Malaysia</td>
<td>2003</td>
</tr>
<tr>
<td>6.</td>
<td>Phnom Penh</td>
<td>accredited to Cambodia</td>
<td>2002</td>
</tr>
<tr>
<td>7.</td>
<td>Colombo</td>
<td>accredited to Sri Lanka, and to the Maldives</td>
<td>1995</td>
</tr>
<tr>
<td>8.</td>
<td>Dhaka</td>
<td>accredited to Bangladesh</td>
<td>1988</td>
</tr>
<tr>
<td>9.</td>
<td>Islamabad</td>
<td>accredited to Pakistan</td>
<td>1985</td>
</tr>
<tr>
<td>10.</td>
<td>New Delhi</td>
<td>accredited to India, and to Bhutan and Nepal</td>
<td>1983</td>
</tr>
<tr>
<td>11.</td>
<td>Bangkok</td>
<td>accredited to Thailand, and to Burma/Myanmar, Cambodia, Laos, and Malaysia</td>
<td>1979</td>
</tr>
<tr>
<td>12.</td>
<td>Hanoi</td>
<td>accredited to Vietnam</td>
<td>1996</td>
</tr>
<tr>
<td>13.</td>
<td>Jakarta</td>
<td>accredited to Indonesia, and to Brunei and Singapore</td>
<td>1988</td>
</tr>
<tr>
<td>14.</td>
<td>Manila</td>
<td>accredited to the Philippines</td>
<td>1991</td>
</tr>
</tbody>
</table>

61 Including North East Asia, South East Asia, South Asia and Australasia.
| 15. Beijing | accredited to China, and to Mongolia | 1988 |
| 16. Hong Kong | covering Hong Kong and Macao | N/A |
| 17. Seoul | accredited to South Korea | 1990 |
| 18. Tokyo | accredited to Japan | 1974 |
| 19. Canberra | accredited to Australia, and to New Zealand | 1981 |


In the 2001 updated Asian strategy, the European Commission emphasised its aim to 'raise the EU’s profile across Asia, [through] strengthening and broadening the network of Delegations across the region, enhancing EU coordination at all levels, and intensifying information and communication efforts across the region' (2001c: 19). This reflects an increasing importance of the network of Delegations as an EU commercial instrument in Asia, which can be seen as happening in line with the Commission’s radical programme in 2000 aimed at improving the quality and delivery of aid and technical assistance programmes (European Commission, 2000b) and embarked on a far-reaching adjustment of responsibilities between headquarters and the Delegations (See Chapter 2, Section 2.4.5).

As already argued in Chapter 2, this network of Delegations can not only be seen as a significant form of EU representation in Asia, but also plays a crucial role in building a process of 'diplomatic co-operation' (Bale, 2002: 10) at this local level; and specifically in the area of commercial diplomacy, in establishing ‘commercial networking’ among commercial attachés and counsellors of the Delegations and Member State Embassies, as well as other national business organisations, i.e., Chambers of Commerce, with a common aim to promote trade, investment and business co-operation between the two regions. In other words, the European Commission Delegations can be seen as a significant EU commercial instrument at this local level in managing its bilateral relations with different Asian countries (though within the regional framework). In many respects commercial authorities have already been
transferred from Member State Embassies to the Delegations particularly in trade policy. However, it is important to note that these Delegations still operate alongside and co-ordinate with Member State Embassies, which still hold a certain degree of commercial competence, i.e., trade and investment promotion and investment, and undoubtedly still represent Member States’ interests in traditional statehood terms.

The questions worth raising here are: what role does the Delegation play in managing relations with Member State Embassies and other commercial actors, to what extent do they co-operate and in which ways has the commercial network been established at this local level. These questions will be taken forward for further investigation in Chapter 6 by using the example of the EU in Thailand, which will give a particular focus to the roles of the Delegation as the EU’s commercial and business engagement in Thailand.

3.4 CONCLUSION
This chapter has explored the development of the contemporary EU-Asian commercial relationship and the EU’s commercial strategies towards Asia formulated by the European Commission during 1994-2004: from the early 1990s the ‘Look East’ policy, and more specifically the 1994 New Asia strategy, the 1996 ASEAN strategy, and the 1996 creation of ASEM (when the Asian markets was rapidly growing) to the post-financial crisis period, the 2001 updated Asian strategy, and the 2003 new ASEAN strategy. These strategies have been implemented into more specific institutional frameworks of the EU in Asia at three different but interconnected levels: transregional (ASEM), interregional (EU-ASEAN) relations, and bilateral relations between the EU and different Asian countries through the network of European Commission Delegations. Though these three levels, the EU has performed different instruments, strategies and roles engaging different business stakeholders. The pattern of contemporary EU-Asian commercial relations and characteristics of the EU’s commercial diplomacy towards Asia during the 1994-2004 can be summarised as follows:
First, the post-Cold War period observed a dramatic change in the pattern of Europe-Asia commercial relations towards more equal commercial relations, and importantly more participation of non-state actors (business and firms) and a quasi-state actor (the EU), challenging the role of states and the old pattern of inter-state relationships. Since the 1990s, the EU, particularly the European Commission, has emerged as a significant player in its own right in Asia, adopting its own strategies, objectives, and priorities in Asia and acting alongside Member States’ activities.

Second, the priority of the EU’s Asia strategies has always been the EU’s economic and commercial interests in ‘Asian markets’. The Commission through its formal Asian strategies set up since 1994 has expressed its attempt to play a more proactive role in expanding its trade and investment in Asia and in assisting business to access Asian markets. This EU attempt was strongly driven by the structural changes and the issues of competitiveness in the global political economy (already argued in detail in Chapters 1 and 2), particularly among Triad members. While the US and Japan had long established their commercial and business linkages with Asia, the EU, as one of the most significant players in the global political economy, could not neglect Asia; and it had to increase its global presence and support European business to enter the Asian markets as a means to improve European competitiveness in the world economy. This Commission strategic aim thus characterised the EU’s commercial strategies towards Asia during the 1990s.

Thirdly, as a result of rationales mentioned earlier, it is not surprising that business engagement is evidently seen as a crucial part of the EU’s commercial strategies towards Asia. This follows a more liberal approach in the EU’s overall commercial diplomacy during the 1990s (argued in Chapter 2), when the EU initiated a number of new commercial instruments and business engagement strategies aiming to support business to compete in the competitive global economy, as well as to engage business more closely in its commercial diplomacy framework. Examples in the case of Asia are the creation of AEBF in 1996 as a
form of business dialogue and networking under the ASEM economic framework, a number of economic co-operation programmes to promote business co-operation between two regions, and the roles of the European Commission Delegations in assisting business at the local level. Viewed in this context, it is assumed that elements of state-firm relationships are likely to be visible as part of the EU’s commercial strategies towards Asia and that the EU has performed a proactive role akin to those of ‘competition state’, ‘catalytic state’ and ‘cooperation state’ in its relations with business and firms through its business engagement strategy.

Fourthly, despite the proactive roles of the EU, it is important to bear in mind the unevenness of the EU’s statelike qualities as a commercial actor (discussed in Chapter 2): the EU has exclusive competence only in trade, but not in investment, which still falls under the Member States competence. This uneven commercial competence also coincidentally reflects the unevenness of trade and investment trend between the EU and Asia shown in Section 3.2.4 of this chapter. While trade between the EU and Asian countries has been growing during the 1990s-2000s period, the same cannot be said for investment.

Next the thesis moves on to a detailed empirical study of business engagement activities in EU-Asian relations. The aim is to investigate the place of business engagement within the EU’s broad commercial strategies towards Asia in three different levels of commercial engagement: transregional (ASEM), interregional (EU-ASEAN) relations, and bilateral (EU-Thailand) relations. By examining these distinct but interconnected levels of engagement, the thesis aims to explore the way in which the EU engages or incorporates businesses and firms into its overall commercial diplomacy framework by examining what instruments the EU has, what strategies the EU pursues, for whose interests (which business stakeholders) the EU engages, and finally what roles the EU plays in Asia.

Chapter 4 is devoted to analysing the ASEM as a form of EU commercial engagement, and the AEBF – a business body under the ASEM economic framework –
as the focus of the EU’s formal business engagement activities in ASEM. Chapter 5 will investigate the EU’s commercial and business engagement at the interregional level of EU-ASEAN relations. Particular attention will be paid to the ‘New Partnership with South East Asia’ strategy and especially the TREATI established by the Commission in 2003. Moreover, economic co-operation programmes as the EU’s ‘soft’ strategy to engage business at this interregional level will also be investigated. Chapter 6 will examine EU-Thailand relations, and particularly the roles of the European Commission Delegation in assisting business in Thailand. It will explore the emergence of a commercial network and co-operation among the Delegation, Member State Embassies, national Chambers of Commerce, and other commercial actors at the local level with a common aim to support business and to promote trade and investment between EU and Thailand.

The detailed investigation of EU business engagement activities in Chapters 4-6 will address the second and third research questions set out at the beginning of the thesis. The second research question is: how have the aims of EU commercial strategies been translated into specific activities within EU-Asian relations? Specifically, how has implementation taken place at different levels, and how has it incorporated business engagement? The third research question is: what are the key areas of variation between business engagement activities at different levels, and how effective have EU activities at these different levels been?
Chapter 4

The Asia-Europe Meeting (ASEM) and

the Asia-Europe Business Forum (AEBF)

4.1 INTRODUCTION

This first empirical investigation is devoted to an exploration of the EU’s commercial and business engagement at the ‘transregional’ level, by focusing on ASEM which was established in 1996, as an endeavour to enhance relations between Europe and Asia. This new transregional co-operation among European and North East Asian and South East Asian countries through the ASEM framework has attracted attention from a number of scholars who have defined the ASEM process from different perspectives and using different approaches. For example, as Dent has noted, the emergence of ASEM is precisely seen, in particular by neo-liberalists, as a ‘cooperative regime’ to manage the complex interdependence that prevails in the international economy system, or as ‘a symbolic joining of two Triad powers [Asia and Europe] into a pack of deeper mutual understanding’ (1997: 515). Yeo has analysed the ASEM process through three images: ‘summit diplomacy’ (realist), ‘regional-integrator’ (social constructivist), and ‘mega-regime’ or ‘an institution for regime creation’ (liberal institutionalist) (2003: 183). While recognising the different approaches to understanding ASEM, this chapter focuses particularly on examining the ASEM economic and commercial framework as one of the EU’s most important commercial initiatives towards Asia, and explores the place of business engagement within it. The Asia Europe Business Forum (AEBF) can be seen as the focus of the EU’s formal business engagement at this transregional level. In doing so, it deploys the framework developed within the thesis so far.
It is argued that the ASEM can be seen as a significant instrument of the EU’s commercial engagement in Asia at transregional level (alongside interregional EU-ASEAN relations – see Chapter 5). This initiative not only covers ASEAN countries but also includes the wider context of the Asia-Pacific region; within this framework the EU seems to give particular emphasis to the ASEM economic pillar, though in fact the ASEM represents a multi-dimensional process of economic, political, and cultural dialogue. In other words, the EU focuses on using the ASEM economic and commercial framework as a new mechanism at transregional level to engage with Asian markets as well as to enhance trade and investment relations between the EU and Asia.

To analyse the ASEM economic process, one can no longer conceive of ASEM solely as government-to-government relations. Business involvement in the ASEM economic process has been evident from the outset. The AEBF was established in October 1996 (only 6 months after the first ASEM Summit in March 1996) as an integrated business body under the ASEM economic pillar. In addition, the AEBF was designed to link closely with other ASEM economic meetings and specific initiatives such as the Trade Facilitation Action Plan (TFAP) and Investment Promotion Action Plan (IPAP), by providing them with a useful policy-input from business. The creation of AEBF and its close linkages with other ASEM economic bodies can be seen not only as an ambitious attempt to engage business as a means to enhance trade and investment relations between the EU and Asia, but also as evidence of the EU’s drive for business engagement as part of EU’s general commercial strategy through the ASEM in response to the structural changes in the global political economy mentioned earlier (Chapters 1 and 2)

The central aim of this chapter is, therefore, to investigate the place of business engagement within the EU’s broad commercial strategies at the transregional level. The chapter begins by examining general trends in the EU’s commercial relations with the ASEM10 (trade and investment) and identifying the strong economic and commercial driving
forces behind the creation of ASEM, arguing that the ASEM economic process can be seen as one of the EU’s most significant commercial instruments with which to engage Asia. Then, the chapter turns to specifically investigate the AEBF as the focus of the EU’s business engagement strategy. Particular attention will be paid to evaluating the extent to which the AEBF has achieved its initial aim of playing a ‘policy-input’ role in shaping and supporting the ASEM economic framework through its institutionalised connection with other ASEM bodies and Action Plans. Crucially, the chapter distinguishes between the importance of the AEBF as a shaper of outcomes and as a process of networking and linkages, by arguing that while the shaping of tangible outcomes by the AEBF seems to be marginal, the value of AEBF as a useful process of dialogue and networking is potentially crucial. Thus, the chapter evaluates the effectiveness of the AEBF as a means of dialogue and networking between European and Asian public and private sectors, and particularly governments and business (or states and firms), and concludes by analysing the implication of the situation for the EU’s commercial and business engagement instruments, strategies, stakeholders, and roles played by the EU at this transregional level.

4.2 THE EU’S COMMERCIAL RELATIONS WITH THE ASEM10

Trade and investment have been central issues in EU-Asian relations and in the development of the ASEM process. This section explores the EU’s trade and investment with 10 Asian ASEM members, or the ASEM10 – Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam, China, Japan, South Korea – up to 2004, thus including only 7 ASEAN members (not Laos, Cambodia, and Myanmar).

4.2.1 The EU’s Commercial Relations with the ASEM10: Trade

Since the 1980s the ASEM10 has increasingly become an important trading partner of the EU. From 1980 to 2003, EU imports from the ASEM10 grew by 10.04% on average per year, and EU exports by 10.23%. The Figure 4.1 shows the dramatic increase in the amount of
trade between the EU and the ASEM10 uniting data from 1980, 1990 and 2003. In 1980, the EU imports from Asia only accounted to 27 billion Euros and EU export to Asia 14 billion Euros, increasing to 89 and 54 billion Euros in 1990 and reaching 245 and 134 billion Euros in 2003 (European Commission, 2004c). See Figure 4.1

Figure 4.1: EU Trade with ASEM 10 (1980, 1990, 2003)

According to the European Commission (2005d), in 2004 EU imports from the ASEM10 amounted to 298.114 billion Euros and EU exports to the ASEM10 151.395 billion Euros, representing an increase of 11.3% and 10.1 % from EU imports and exports in 2003. Asia accounted for 22.6 % of total EU trade (29.00 % of total EU imports and 15.73 % of total EU exports), making Asia one of the largest trading partners of the EU in the world, alongside the US (19.7%) in 2004. See Tables 4.1, Figure 4.2, and Table 4.2.
Table 4.1: EU Trade with ASEM 10 (2000-2004)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Yearly % change</th>
<th>Share of total EU imports</th>
<th>Exports</th>
<th>Yearly % change</th>
<th>Share of total EU exports</th>
<th>Balance</th>
<th>Imports + Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>267,185</td>
<td>-4.5</td>
<td>26.84</td>
<td>129,419</td>
<td>4.7</td>
<td>15.11</td>
<td>-137,766</td>
<td>396,604</td>
</tr>
<tr>
<td>2001</td>
<td>255,192</td>
<td>-0.6</td>
<td>25.95</td>
<td>135,446</td>
<td>0.5</td>
<td>15.17</td>
<td>-119,746</td>
<td>390,638</td>
</tr>
<tr>
<td>2002</td>
<td>253,699</td>
<td>5.6</td>
<td>26.93</td>
<td>136,160</td>
<td>1.0</td>
<td>15.12</td>
<td>-117,539</td>
<td>389,859</td>
</tr>
<tr>
<td>2003</td>
<td>267,880</td>
<td>11.3</td>
<td>28.48</td>
<td>137,546</td>
<td>10.1</td>
<td>15.73</td>
<td>-146,720</td>
<td>449,509</td>
</tr>
<tr>
<td>2004</td>
<td>298,114</td>
<td></td>
<td>29.00</td>
<td>151,395</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average Annual Growth

Source: European Commission (2005d: 1)

Figure 4.2: EU Trade with ASEM 10 (2000-2004)

Source: European Commission (2005d: 1)

Table 4.2: Share of EU Trade by Major Trading Partners (2004)

<table>
<thead>
<tr>
<th>Partners</th>
<th>Meuro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>1,993,035</td>
<td>100.0</td>
</tr>
<tr>
<td>1 USA</td>
<td>391,810</td>
<td>19.7</td>
</tr>
<tr>
<td>2 China</td>
<td>175,043</td>
<td>8.8</td>
</tr>
<tr>
<td>3 Switzerland</td>
<td>136,495</td>
<td>6.8</td>
</tr>
<tr>
<td>4 Russia</td>
<td>126,188</td>
<td>6.3</td>
</tr>
<tr>
<td>5 Japan</td>
<td>116,955</td>
<td>5.9</td>
</tr>
<tr>
<td>6 Norway</td>
<td>86,791</td>
<td>4.4</td>
</tr>
<tr>
<td>7 Turkey</td>
<td>68,975</td>
<td>3.5</td>
</tr>
<tr>
<td>8 Korea</td>
<td>48,066</td>
<td>2.4</td>
</tr>
<tr>
<td>9 Canada</td>
<td>38,200</td>
<td>1.9</td>
</tr>
<tr>
<td>10 Taiwan</td>
<td>36,472</td>
<td>1.8</td>
</tr>
</tbody>
</table>
From Table 4.2, it is evident that among ASEM countries, China, with its increasing importance in the world economy, has the biggest share of EU trade accounting for 8.8%, followed by Japan 5.9%, ASEAN as a group 5.6% and South Korea 2.4%. Moreover, EU trade with ASEM is concentrated on the following products: office/telecom equipment, power/non-electrical machinery, transport equipment, chemicals, textiles and clothing, agricultural products, energy, non-agricultural raw materials, and iron and steel (see Figure 4.3).
4.2.2 The EU's Commercial Relations with the ASEM10: Investment

During the 1990s period, not only did the EU develop its formidable role as a powerful trading state but also as a significant investor in the world economy. According to the European Commission (2001d), over the 1996-1999 period, the EU was one of the largest investors in the world, accounting for 44% of world FDI outflows on average, followed by the US (27%) and Japan (5%), and in 1999 it accounted for more than 50% of world FDI outflows, shown in Figure 4.4.

Figure 4.4: FDI Outflow from the EU, Japan and the US (1996-1999)

Source: European Commission (2001d)
In the 1990s, Asia also experienced an economic boom attracting investors from all over the world (notwithstanding the Asian financial crisis in 1997-1998). While the EU was the largest FDI source and Asia was the largest FDI destination, according to the European Commission (2001c: 35-36), during the 1995-1999 period the average FDI flows from the EU to the ASEM10 amounted to only 11.488 billion Euros, representing only 7.8% of EU total outward FDI, of which North East Asia (China, South Korea, and Japan) accounted for 7.525 billion Euros or 5.1%, and ASEAN only 0.511 billion Euros or 0.3% of EU total FDI. This EU FDI outflow to the ASEM, particularly ASEAN, was thus a rather limited proportion of the total EU FDI to the world (total 147.682 billion Euros average during 1995-1999), significantly lower than EU FDI in NAFTA 59.7%, Central and South America 13.8% and Europe outside the EU 13.6%. See Figure 4.5.

Figure 4.5: EU FDI Outflow (average 1995-1999)

![Pie chart showing EU FDI outflow]

Source: European Commission (2001c: 35-36)

The 1997 Asian financial crisis further caused a drastic decrease in European investment rates in Asia: going from 21.1% of EU global FDI in 1996 and reaching the lowest figure in 1998, down to 1.6%. The European Commission recognised this decreasing trend by noting in its updated Asian strategy – the EU’s concern for Asia in the wake of the crisis –
that ‘the bulk of EU outward FDI continues to go to North America, and EU FDI flows to South East Asia, in particular, have not yet recovered from the East Asian Crisis’ (2001c: 12-13). Figure 4.6 also shows the decreasing trend of the EU FDI towards the ASEM10 until 2002.

**Figure 4.6: EU FDI towards the ASEM10 (2000-2002)**

![Graph showing EU FDI towards the ASEM10 (2000-2002)](image)

Source: European Commission (2004c)

The trade and investment statistics mentioned above have shown that during the 1990s, Asia (particularly the ASEM 10) became one of the most important trading partners for the EU, and one of the most attractive destinations for FDI. However, the EU FDI trend towards Asia (the ASEM10) shows a different picture from the one in trade, reflecting unevenness in EU-Asian commercial relations between trade and investment (See also Chapter 3, Section 3.2.4).

### 4.3 ASEM: THE EU’S TRANSREGIONAL COMMERCIAL ENGAGEMENT IN ASIA

Since its first meeting in Bangkok in March 1996, the ASEM has been seen as a significant focus of the EU’s commercial engagement in Asia at the transregional level. As already argued in Chapter 3, ASEM was created as part of what Rüland called ‘transregionalism’: a process that emerged in the 1990s, and which has a close link with economic forces of globalisation (2001a: 5). When ASEM was first created (until ASEM5 in 2004), Asia was
represented by three North East Asian countries (China, Japan, and South Korea) and seven South East Asian/ASEAN countries (Indonesia, Thailand, Malaysia, Singapore, the Philippines, Brunei and Vietnam) and Europe by the fifteen EU Member States and the European Commission. At the ASEM5 Summit in Hanoi in October 2004, ASEM membership was extended to the new members of the EU\textsuperscript{62}, and three new members on the Asian side: Cambodia, Laos and Myanmar.

The creation of ASEM in 1996 strongly reflects on the one hand the changing nature of Europe-Asia relationships in the 1990s, when the rise of Asia and the shift towards a balance of power in the global political economy among the Triad (the EU, the US and East Asia) (since the 1970s onwards) as well as the shift towards increasing participation of non-state actors, including firms, in EU-Asian relations can be observed. On the other hand, it also reflects the changing global context, particularly the structural changes in the global political economy emphasised by Strange (1992, 1994a) and Stopford and Strange (1991), where the interests of states and firms are mutually engaged. As a result, the ASEM was created, and the economic dimension seems to be the most dominant and highly-developed among the three ASEM pillars — economic, political, and cultural. Importantly, it is argued here that the ASEM process, which explicitly incorporates business into its economic and commercial framework through the creation of AEBF, indicates the EU's response to these changes; this then leads to an emergence of business engagement within the EU's commercial strategy in ASEM. To analyse the ASEM economic process, let us begin with examining the driving forces behind the creation of ASEM.

\textsuperscript{62} Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia.
4.3.1 Economic and Commercial Driving Forces

Opportunities offered by the growing Asian markets attracted the EU’s attention towards Asia. It can be observed that economic and commercial issues seemed to be major driving forces behind the creation of ASEM in 1996. Robles (2001: 4) explicitly emphasises: ‘the EU receptiveness to the proposal to hold ASEM is proof of a redefinition of European interest, based on an awareness that the EU’s structural position in interregional trade had deteriorated precisely at the time when the East Asian economies were growing rapidly’ (2001: 4). It is possible to identify four such driving forces as follows: an initial business driving force, the EU’s interests in Asian markets, Asian concerns about EU markets, and the need to balance in the Triad world.

Business as the Initial Driving Force

Rather than the EU, the Member States’ governments or Asian governments, the business community was the main initial driving force towards the creation of the first ASEM meeting. Hänngi, while identifying EU-Asia relations as the ‘weak side’ or ‘missing link’ within the New Triad (the EU, the US and East Asia), notes (about this initial business driving force) that: the transnational business community took the first step in calling attention to ‘the weakness of the Asia-Europe side of the new triangle’ and it was the first Europe/East Asia Business [Economic] Summit organised by the World Economic Forum (WEF)\(^\text{63}\) in Hong Kong in 1992 that concluded that ‘a more intensive dialogue between the business communities from the two regions was necessary to reduce misunderstandings and to reconcile the differences’ (1999: 61). However, it was some years before this message from the business side made a specific impact on the political side.

\(^\text{63}\) The WEF is a Swiss organisation based in Geneva with over 1,000 global companies as members. The WEF held its first Europe/East Asia Economic Summit in 1992 in Hong Kong. Since then, this summit has been held annually alternating between Hong Kong and Singapore. The summit is usually attended by hundreds of corporate and political leaders, international economists, other leading academics and policy-makers (Yeo, 2002: 11, footnote 2).
At the WEF’s third Europe/East Asia Economic Summit in Singapore in October 1994, this message from business was finally taken up by Singaporean Prime Minister, Goh Chok Tong. As Yeo observes, this summit identified ‘the strengthening of the Europe-East Asia relationship as an urgent priority’ [thus] ‘the last recommendation specifically called for a Europe-East Asia Summit of government leaders’ (2002: 11). Yeo went on to note that this recommendation was taken up by Singapore’s Prime Minister, who visited France not long after the WEF’s Europe/East Asia Economic Summit. Goh Chok Tong discussed the idea of a possible summit with the then French Prime Minister, Edouard Balladur. Supportive of this initiative, France worked to secure the in-principle support of the other EU Member States. Under the French Presidency of the EU, the EU General Affairs Council met on 6 March 1995 and endorsed the idea (Yeo, 2002: 11). Therefore, the initial impetus from business followed by the strong support from Singapore and France, finally led to the initiation of the first ASEM Summit where Europe-Asia leaders and heads of state met in Bangkok in 1996.

The EU’s Interests in Asian Markets

Although it seemed that the Asian partners were a more active force in initiating the ASEM at intergovernmental level, Dent, however, noted that: the Singaporeans and other East Asians were ‘knocking on an open door as far as the EU was concerned’ (2003: 229). Several ASEM observers have commented that pure economic rationales were behind the ASEM project, in particular from the European side. For example, Yeo observes that: on the EU side, the need to look beyond Europe for fast-growing markets for its products and services was an important consideration. There were strong indications that Europe had lost important ground in Asian markets during the second half of the 1980s and the early 1990s, when many East Asian countries were opening up their markets and their economies were growing at rapid rates (2002: 21). This might be because, as Rüland notes, in anticipation of the Single Market, ‘European firms had been fully occupied with the need to improve their competitiveness within Europe’; and ‘not much capital was available for investments in Asia at the time when
liberalisation in many East Asian and South East Asian countries was gaining momentum' (1996: 27). Compared to the US (especially, through its new engagement via the creation of APEC in the early 1990s), Europeans began to fear that they might be disadvantaged in the lucrative Asia-Pacific markets.

Therefore, from the EU perspective, exploitation of Asian markets and promotion of EU economic interests in Asia were the EU's crucial motives in accepting the Singaporean Prime Minister's initiative to establish the ASEM. The EU's economic interests in Asian markets were made clear when the European Council in Madrid (15-16 December 1995) stated before the first ASEM Summit that:

'[ASEM] participating countries represent two of the most dynamic regions in the world. The current trade and investment flows between these regions do not, however, reflect their true economic potential...ASEM offers an exceptional opportunity for participating leaders to assess this potential and to take steps to exploit it more effectively' (Council, 1995, section 3).

According to Dent, 'the EU's New Asia Strategy had laid the groundwork for a mostly positive response from the EU' (2003: 229). Such a positive response to the creation of ASEM was also reinforced by the fact that ASEM was unquestionably complementary to the EU's early 1990s 'Look East' policy (Richards and Kirkpatrick, 1999: 689-690) and particularly the New Asia Strategy adopted by the Commission in 1994, in which the Commission stated its aim 'to strengthen the EU's economic presence in Asia in order to maintain the Union's leading role in the world economy' (1994: 3). For the EU, the ASEM was thus seen not only as a useful, new commercial instrument to translate this new strategy into action but also as a means to access growing Asian markets. In consequence, the ASEM economic framework was explicitly designed to strengthen trade and investment between two regions, reflecting the New Asia Strategy's major objective of accessing Asian markets and the EU's response to Asia's economic boom.
Asian Concerns

The Asian perspective reveals that awareness from the Asian side of the need for a meeting forum such as ASEM was growing at the time when the European single market was being established, and reflected a fear that Europe was in the process of erecting a Fortress. Thus, not only was the EU interested in accessing Asian markets, as mentioned earlier, but also the issue of accessing European markets was a major concern for all Asian countries. Yeo noted these Asian fears of a ‘Fortress Europe’, for example, reflecting ‘concerns about a Europe consumed with its own internal affairs and pre-occupied with its enlargement, uncertainties about the impact of a single European currency and the lingering fear of being shut out of the Single European Market…’ (2002: 24). Moreover, ‘Asia also needed Europe to keep up the pace of human resource development and the technological expertise to transform its industries from labour-intensive to capital-intensive ones’ (2002: 24). In the meantime a strong protectionist streak had emerged in the US as Washington increasingly adopted pugilistic and unilateralist trade attitudes and policies towards Asia. Thus, it is argued that while both Europe and the US seemed to adopt more protectionist roles in the eyes of Asia, generally ASEM could play a role in balancing both economic powers in Asia as well as constitute a ‘risk-averse strategy’ by ‘diversifying [Asian] economic relations beyond the Asia-Pacific region’ (Dent, 1999: 31).

In particular for ASEAN members (in the ASEM), when the EU-ASEAN interregional relationship initiated in the 1970s had not received much recent attention from the EU and it had often been hampered by the political problems in South East Asia (See Chapter 5, Section 5.2.4), ASEM might thus offer a new approach for both the EU and ASEAN to enhance their economic and commercial relations. Therefore, some ASEAN countries such as Thailand and Singapore were strong advocates of the ASEM, hoping that through ASEM, ASEAN could promote itself to the EU as a gateway to the wider Asian region (though, it should be noted that there can be observed different views among ASEAN countries).
Balancing the Triad World

Lastly and importantly, it is crucial to mention broad systemic trends in the global political economy, including the structural changes and the shift toward multipolarity or balance of power among the Triad mentioned earlier, which catalysed the creation of the ASEM. For both the EU and Asia, ASEM was seen as an instrument to manage the Europe-Asia ‘weaker secondary relationship’ during the 1970s-1980s (Ferguson, 1997: 396) and ‘a strategic counter-balance to APEC’ (Dent, 1999: 31) in the Triad world, when both the strong economic relations between the US and the EU and the increasing US power in Asia through the creation of APEC had exposed EU-Asian relations as what Hänggi called the ‘missing link’ or ‘weak side’ (1999: 67) in the triangular relationship. Goh Chok Tong, the Prime Minister of Singapore realised this uneven relationship and then broached the idea of ‘an Asia-Europe dialogue’ which ‘would therefore enable global structures and relations of the 21st century to be more stable and integrated’ (Tong, 1994/95: 1106 quoted in Robles 2001: 3-4). This thus led to his initiation of ASEM as a balancing mechanism in the Triad.

In this respect, Dent emphasised that ‘the EU’s main motivations for promoting ASEM lay in its anxieties over the prospect of potential geo-economic marginalisation in a transpacific dominated world economy’ (2003: 227), anxieties particularly focused by the creation of APEC in November 1993 as means to promote closer cooperation between the US and Asia. This US-Asia economic cooperation implied the exclusion of the EU from the fast-growing and potentially lucrative markets of Asia. Thus, for the EU, the Singaporean initiation of ASEM offered a good opportunity to counter both its exclusion from APEC and increasing US economic power in Asia. As for the Asian side, ASEM also offered a way to diversify their economic dependence on the US. In this context of Triad relations, ‘ASEM has been justified by the need to bridge the ‘missing link’ in such triangular relationship’ (Hänggi, 1999: 56). However, scholars view ASEM as the poor third relation within the Triad: Dent, for example, saw it as demonstrating ‘a Eurasian Cinderella complex’ (2001) and generally
concluded that ‘Eurasian links are still relatively under-developed in comparison to their transpacific and transatlantic counterparts’ (Dent, 2003: 223).

4.3.2 ASEM Economic and Commercial Diplomacy: More Than an Elite Project

ASEM was in fact intended to be a multi-dimensional process, which, as the Commission emphasised, ‘should be based on the promotion of political dialogue, the deepening of economic relations and the reinforcement of cooperation, and should contribute to the global development of societies in both Asia and Europe’ (1996a: 1). The ASEM structure therefore comprises three main pillars – economic, political and cultural.

However, it is obvious that the economic pillar seems to be the most dominant and highly-developed one. The comprehensive structure of the ASEM economic pillar illustrated by Diagram 5.1 clearly indicates the EU’s ambitious aims to build ‘ASEM economic and commercial diplomacy’, which comprises a set of consultative relationships and a network of meetings (at both senior official and political levels), action plans, and activities to promote trade and investment between the two regions (See the example of ASEM activities under political, economic and cultural pillars between 2002-2004 in Annex 4.1). Therefore, it can be argued that beyond its role as an elite summit, the ASEM process can also be seen as reflecting the EU’s most significant commitment to engage Asia at transregional level. It is thus appropriate to analyse ASEM economic and commercial diplomacy in more detail.

The ASEM Summits between the Asian and European heads of state have been held every two years as follows: ASEM1 in Bangkok in March 1996, ASEM2 in London in April 1998, ASEM3 in Seoul in October 2000, ASEM4 in Copenhagen in September 2002, ASEM5 in Hanoi in October 2004, and (forthcoming) ASEM6 in Finland in September 2006. Besides the Summit, there are other consultative meetings that support the Summit. ASEM1 decided that Ministers of Foreign Affairs, Economics and Finance should meet to carry forward the dialogue within their respective fields, and these core Ministerial meetings were held in the

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64 The ASEM Summits have been held alternately in European and Asia.
years between Summits (in 1997 and 1999) (Chairman’s Statement, ASEM1). At ASEM3 in Seoul there was agreement that Ministerial meetings would be held normally once a year (Chairman’s Statement, ASEM3).

While the Foreign Ministers meetings and Senior Officials Meeting (SOM) belong to the political pillar and the Asia-Europe Foundation (ASEF) to the cultural pillar, under the economic pillar two types of Ministerial meetings exist— the Economic Ministers’ Meeting (EMM) and the Finance Ministers’ Meeting (FinMM).

Under the financial umbrella, the FinMM is supported by regular meetings of Finance Deputies and a ‘core group’. O’Brien observed that this dialogue between Financial Ministers has tended to focus on discussions of a macro-economic nature, where they review the global economic situation and developments in both regions (2001: 24-25). The economic umbrella is built on the EMM and Senior Officials Meeting on Trade and Investment (SOMTI), and on the AEBF. ASEM economic cooperation is carried out under the auspices of SOMTI, which coordinates all economic activities and projects pursued within the framework of ASEM, including the two Action Plans on trade and investment, TFAP and IPAP. While EMM represents the ministerial level meeting\(^{65}\), SOMTI represents the meeting of senior government officials on trade and investment issues. Closely linked with EMM and SOMTI is the AEBF – a business body integrated into the ASEM economic process.

The initiation of AEBF, TFAP and IPAP is a result of ASEM1 Summit’s intention ‘to promote greater trade and investment between Asia and Europe, to increase European investments in Asia from their present low levels, as well as to encourage Asian investments in Europe’ (Chairman’s Statement, ASEM1, Paragraph 12). The first AEBF met in October 1996 only 6 months after the first ASEM Summit, and TFAP and IPAP were drawn up and officially endorsed and adopted in April 1998 at the second ASEM Summit.

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\(^{65}\) It is worth noticing that EMM regularly met among ASEM economic ministers (see a list in Bibliography, page 314), however the recent EMM6 in Rotterdam, 16-17 September 2005 was temporarily changed its name to ‘High level Meeting in the Framework of ASEM’ as no Economic Minister participated (due to a particular political reason), only senior officials from both sides.

The ASEM Structure

Co-ordinators:
- Europe: Commission
- Asia: SOM Co-ord: Japan, Vietnam
- Presidency: Econ. Co-ord: Japan, Vietnam
- IEG shepherds: Indonesia, Japan

SOM

SUMMIT

Heads of State and Government, President of the European Commission

Political Dialogue

Overall process management

Co-ordinators

Economic Pillar

Political Pillar

Cultural, Intellectual, P2P Pillar

Ad hoc ministerial: S&T, environment, migratory flows

Other Activities:
- Cultural Heritage
- Asia-Europe Young Leaders' Symposium
- Educational exchange, migratory flows
- Young Parliamentarians' Meeting, Child Welfare

Activities:
- AEBF: Asia-Europe Business Forum
- ASEP: Asia-Europe Foundation
- EPEX: European Financial Experts' Network
- IPAP: Investment Promotion Action Plan
- IPAP: Intellectual Property Rights
- S&T: Science and Technology
- SOM: Senior Officials Meeting
- SOMTE: Senior Officials' Meeting on Trade and Investment
- SPS: Sanitary-Phytosanitary Standards
- TFAP: Trade Promotion Action Plan

Source: European Commission (2000a: 16)
It is noticeable that the activities of EMM, SOMTI, TFAP, and IPAP and AEBF are designed to be interconnected, with particular emphasis on the role of the AEBF as a source of policy inputs from business sectors to policy-makers. Importantly, the integration of the AEBF into the ASEM economic pillar clearly followed the aim explicitly stated in ASEM1 to ‘foster greater cooperation between the business and private sectors of the two regions’ (Chairman’s Statement, ASEM1 Paragraph 9), thus leading to the creation of a formal EU business engagement strategy as part of the ASEM process.\footnote{Section 4.4 of the chapter will discuss the AEBF in more detail.}

This comprehensive framework of dialogue and networking under the ASEM economic framework indicates the initial enthusiasm of the EU to build ASEM economic and commercial diplomacy and to use ASEM as a new commercial instrument to engage Asia at transregional level. In its early stages, ASEM was often positively viewed as evidence of ‘the great potential for “economic synergy” between Europe and Asia’ (Ferguson, 1997: 403). These optimistic views among both scholars and policy-makers observed during the early years of ASEM Summits and meetings led to an expectation that ASEM economic diplomacy could potentially help produce tangible outcomes in promoting EU-Asian relations in general, and in promoting trade and investment between the two regions in particular. However, this enthusiasm and optimism was to be dampened in the wake of the 1997 Asian financial crisis.

Importantly, the post-financial crisis period reflected a decline in enthusiasm and optimism from scholars and policy-makers towards the ASEM process. Considering ASEM simply from the dozens of initiatives, meetings, action plans, and activities it generated, after some years of its operation the ASEM processes have increasingly been questioned in terms of their ability to produce concrete outcomes and achievements. For example, Yeo raised some questions: ‘ASEM3 more talk or more forward?’ (2000: 1) and ‘what are the real impact or value of all these [ASEM] programmes, projects and the process itself?’ (2002b: 5).
4.3.3 Process, Outcomes and Achievements of ASEM

As indicated above, ASEM has not been without its critics. As Kollner (2002: 4) noted, some critics have targeted the general orientation of the process – its elitism and lack of a public profile, whilst others have aired their discontent about the substance of the process – or the alleged lack of it. ASEM is often criticised as a mere ‘talking shop’ in which controversial topics are smoothed over or simply left off the agenda and of which the outcomes have rarely been implemented. While recognising the ASEM criticism, an interview with a Commission official suggests that for the European Commission the ASEM is seen as ‘a process of dialogue and networking between Europe and Asia so as to promote greater understanding between the two regions’ and as ‘a long-term partnership, in which progress can only be of a gradual nature’ (Interview, European Commission, DG External Relations, Brussels, 27 January 2004). This indicates the Commission’s emphasis on ASEM as a process, rather a forum to produce immediate and tangible outcomes.

To emphasise the value of ASEM as a process, in 2001 the European Commission (2001e) produced a ‘Vademecum on Modalities for Future ASEM Dialogue: Taking the Process Forward’, which stressed the need to restore the effectiveness of ASEM as a process of informal dialogue. In this strategy paper, the Commission set out a number of points to improve the ASEM, for example: need for managing the process (coordinators and senior officials should play the pivotal role together for managing the process and taking it forward and a virtual secretariat could facilitate communication); initiatives not an end in themselves (initiatives should be linked back to and support the dialogue, and initiatives should be presented in clusters and should, to the extent possible, be supportive of other initiatives within the cluster); and interactive and informal meetings (the chair should be active and strive for interactivity, longer informal intervals and informal retreat sessions). Moreover, Percy Westerlund, Director-General of DG External Relations in the European Commission, added ‘the danger of having all sorts of follow-up activities simply for the sake of “showing
progress” but without any specific orientation or direction [so that ASEM] is not only a waste of resources but might also result in “forum-fatigue” and in the long-run, general disinterest’ (1999: 19, quoted by Yeo, 2002: 107). Such a Commission emphasis and focus on ASEM resulted in a turning point in ASEM4 Summit, which marked the Commission’s realisation and acceptance that ‘ASEM is about forging and long-term partnership’...‘hence progress can only be of a gradual and incremental nature’ (Yeo, 2003: 161).

On the matter of what ASEM has actually achieved thus far, it is quite difficult to measure. Some scholars have paid attention to the ASEM on its strategic importance in producing policy-outcomes at transregional level. Yeo, for example, has noted that apart from being a dialogue process in creating better understanding, ‘it is hoped that the ASEM will result in more trade and investment between the two regions, facilitating greater cooperation on WTO matters and other global issues; and engaging the US to keep it committed to multilateralism and maintaining a multipolar world’ (2002b: 5). Against this backdrop, she assessed ASEM as a summit; then went on to assess the results of TFAP and IPAP, the AEBF, and progress of the political dialogue within the ASEM process (2002b: 6-9).

Other scholars put more emphasis on the ASEM as a process rather than as a set of results. Dent argued that the ASEM can be examined in two ways: on one hand, ‘the more tangible technical progress made by programmes such as TFAP and IPAP on for instance smoothing the way for greater interregional trade and investment between the EU and East Asia’; on the other hand, in relational terms, ‘its contribution to developing micro-networking and macro-networking links between the two regions’ (2003: 23). According to Dent, micro-networking broadly relates to socialisation processes, and can be understood by how ASEM is building trust relationships between different sets of communities from East Asia and Europe, i.e., the policy-making community, the business community, and the civil society community. In contrast, macro-networking concerns bringing countries and cultures from both regions.
closer together as a whole, and forms a basis for evaluating the broader strength of EU-East Asia interregionalism and transregionalism (2003: 230-231).

Against this background, the chapter argues that rather than evaluating ASEM only in terms of its ability to produce tangible outcomes, it is also crucial to recognise the long-term value of ASEM as a process; this means distinguishing the importance of ASEM as an outcome and a process, taking into account both Yeo’s result-oriented evaluation and Dent’s concepts of micro-networking and macro-networking.

However, it is crucial to accept that such a process of dialogue and networking arguably cannot be sustained without producing any outcome or progress. While the political dialogues among ministers and policy-makers, i.e., EMM and SOMTI, are easier to maintain as they can represent a low-cost dialogue to promote co-operation and understanding at the policy-making level, the dialogue with the business community, i.e., AEBF, seems to have been more difficult to manage. Business leaders expect to see more ‘concrete’ outcomes produced by the AEBF, when they ‘pay’ to attend the meetings. Next the chapter turns specifically to examine the AEBF as a key part of the EU’s business engagement strategy in Asia and to assess the AEBF (as well as TFAP and IPAP), in terms of both the shaping of outcomes and the generation of processes of networking and linkage.

4.4 AEBF: THE EU’S BUSINESS ENGAGEMENT STRATEGY

While the previous section explored the ASEM, particularly the ASEM economic and commercial process by arguing that the ASEM is seen by the EU as a significant channel for EU commercial engagement in Asia, this section focuses specifically on examining the AEBF as a mechanism for EU business engagement strategy at transregional level.

From the first ASEM Summit in 1996, the importance of business and the private sector was substantially emphasised, when the EU and Asian leaders agreed ‘to encourage the business and private sectors, including SMEs of the two regions, to strengthen their cooperation with one another and contribute towards increasing trade and investment between
Asia and Europe by agreeing to establish in due course an Asia Europe Business Forum' (Chairman’s Statement, ASEM1, Paragraph 14). Following this initiation, the first AEBF was held in Paris. Since then, the AEBF has continued to meet once a year. Table 4.3 shows the AEBF meetings from 1996-2006.

**Table 4.3: The AEBF Meetings 1996-2006**

<table>
<thead>
<tr>
<th>AEBF</th>
<th>Place</th>
<th>Date</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEBF1</td>
<td>Paris</td>
<td>14-15 October 1996</td>
<td></td>
</tr>
<tr>
<td>AEBF2</td>
<td>Bangkok</td>
<td>13-14 November 1997</td>
<td></td>
</tr>
<tr>
<td>AEBF3</td>
<td>London</td>
<td>2-3 April 1998</td>
<td>Parallel with ASEM 2 Summit</td>
</tr>
<tr>
<td>AEBF4</td>
<td>Seoul</td>
<td>29 September-1 October 1999</td>
<td></td>
</tr>
<tr>
<td>AEBF5</td>
<td>Vienna</td>
<td>28-29 September 2000</td>
<td></td>
</tr>
<tr>
<td>AEBF6</td>
<td>Singapore</td>
<td>8-9 October 2001</td>
<td></td>
</tr>
<tr>
<td>AEBF7</td>
<td>Copenhagen</td>
<td>18-19 September 2002</td>
<td>Parallel with EMM 4</td>
</tr>
<tr>
<td>AEBF8</td>
<td>Seoul</td>
<td>27-29 October 2003</td>
<td>Not Parallel, but after EMM 5 (23-24 July 2005)</td>
</tr>
<tr>
<td>AEBF9</td>
<td>Vietnam</td>
<td>7-8 October 2004</td>
<td>Parallel with ASEM 5 Summit (8-9 October 2004)</td>
</tr>
<tr>
<td>AEBF10</td>
<td>Helsinki</td>
<td>2006</td>
<td>Might be parallel with ASEM 6 Summit (14-15 September 2006)</td>
</tr>
</tbody>
</table>

Source: DG External Relations Website

The initiation of AEBF under the auspices of the ASEM economic framework represents the EU’s formal attempt to engage business more closely with its commercial diplomacy by building a forum for dialogue and networking between both public and private sectors, particularly governments and firms, and thus reflects the EU’s business engagement strategy towards Asia at the transregional level. However, as noted in Chapter 2, the AEBF is only one of many examples of EU-business alliances initiated by the EU during the mid-1990s, for example, the TABD in 1995, the EU-Japan Business Dialogue Roundtable in 1995, and the MEBF later in 1998, through which business is given a significant role in steering economic relations between the EU and different countries or groups of countries.
Importantly, when reflecting on Hänggi's concept of 'missing link' or 'weak side' (1999) or Dent's concept of 'Cinderella complex' (2001) in the Triad mentioned earlier, this chapter argues that the establishment of AEBF can also be seen as being particularly motivated by the creation of the Business Advisory Council (ABAC) under the APEC in 1993 to support the Asia-pacific regions and the TABD in 1995 to support transatlantic relations. Thus, at all levels it is not surprising that the EU attempted to bridge this 'missing link' in the Triad business world by creating the AEBF. Let us begin by examining the AEBF's structure, its aims and its linkages with other ASEM economic bodies.

4.4.1 The AEBF Structure

The AEBF structure, which comprises Chairman, Working Groups, Steering Committee, and Contact Points, can be explained as follows:

**Chairman**

Since the first AEBF in Paris in 1996 the AEBF has met once a year, and is chaired by different ASEM members on an ad hoc basis. According to the AEBF Guidelines adopted by AEBF8, the host country shall appoint the forum chairman, who will preside over the plenary session of the forum and be responsible for drawing-up the chairman's statement. As the representative of AEBF, the chairman shall report agreements reached by AEBF to the ASEM summit and ministerial meetings and represent AEBF in ASEM-related meetings, such as SOMTI and IEG, or designate a representative to do so (Guidelines for AEBF, 2003). The Chairman, cooperating with business associations or government organisations, is responsible as an organiser of the AEBF meeting for that year. For instance, AEBF7 in Copenhagen in 2002 was organised by the Confederation of Danish Industries and chaired by Mr. Ib Christensen, AEBF8 in Korea in 2003 by the Federation of Korean Industries and Mr. Jin Roy Ryu; AEBF9 in Hanoi by the Vietnam Trade Promotion Agency and Mr. Ngo Van

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67 It usually follows the host country of the ASEM Summit.
It is important to note that the AEBF Chairman and host organisation play the most crucial role in directing the AEBF process and managing the AEBF role in relations with other ASEM economic bodies; thus how active the AEBF is also depends on the personality and ability of the Chairman as well as the host country organisation.

**Working Groups**

Apart from the Chairman, the AEBF comprises a number of Working Groups (including Chair and Co-Chair of Working Groups). At AEBF meetings, business leaders are grouped into specific Working Groups, each focusing on a particular sector or industry. The groups are then expected to give their feedback and recommendations to the ASEM governments on how economic and business ties between the two regions can be strengthened. These papers produced by the AEBF through its Working Groups are called ‘AEBF Recommendations’.

In AEBF1 in 1996 there were initially only five Working Groups: infrastructure, consumer goods, capital goods, financial services, and SMEs (Chairman’s Statement, AEBF1, Paragraph 4); but the Working Groups’ sectors have changed over time. In 2002, AEBF7 in Copenhagen added two more working groups: environment and food. Although the SMEs Working Group had disappeared, it was confirmed that ‘the topic of SMEs was discussed at each working group’ (Chairman’s Statement, AEBF7). At the AEBF8 in 2003 in Seoul, the main Working Groups were: trade, investment, infrastructure, financial services, food, life sciences & healthcare industry, environment, and IT & communications. Investment and infrastructure were two separate Working Groups at AEBF7, but they were combined into a single Working Group in AEBF8 (See list of AEBF8 Working Groups in Annex 4.2, page 335). AEBF9 comprises seven Working Groups on trade, investment and infrastructure, financial services, information and communication technology, food, tourism, and SMEs. Taking into account such variety and changes in the AEBF Working Groups in different AEBF meetings, an official from the Belgian Ministry of Foreign Affairs commented that ‘these could obviously be motivated by the different focuses and interests of the AEBF host
countries in order that they can favour their national business interests’ (Interview, Belgian Ministry of Foreign Affairs, Brussels, 19 January 2004).

**Steering Committee**

The AEBF Steering Committee, initiated since AEBF1, comprises the chair in office, the two most recent chairs of the AEBF and a representative of the host country of the next forum and aims ‘to manage and coordinate forum follow-up actions’ (Chairman’s Statement, AEBF1). However, in practice, rather than performing their role of following up AEBF actions and maintaining the continuity of AEBF work, the role of the Steering Committee has changed to become more like a decision making body of AEBF. As noted by the Confederation of Danish Industries, the organiser of AEBF7, ‘the Committee decides on the composition of themes to be discussed in the Working Groups and appointing the Chairman and Co-chairman of the Working Groups, as well as on any other AEBF business, that has to be decided’ (Questionnaire Feedback, the Confederation of Danish Industries, 5 December 2003).

**Contact Points**

A series of AEBF Contact Points, as had been recommended by Singapore and France at SOMTI4, were endorsed during the AEBF2 ‘in order to facilitate speedy exchange of information on AEBF matters’ (Chairman’s Statement, ASEM2). It is noted that ‘member countries shall designate a private economic organisation as a Contact Point…to encourage private sector participation in the ASEM and AEBF processes’ (Guidelines for AEBF, 2003). The Contact Points nominated by ASEM Members normally are the representatives of national business organisations, for example, the Federations/Confederations of Industry, Trade Associations or other private organisations.

The AEBF Contact Points are expected (at least by the EU) to play a key role in coordinating and supporting AEBF government-business ‘networking’ by creating an informal linkage between the EU and Asian public and private sectors, thus helping to
facilitate the ASEM process and more generally promote trade and investment between the two regions. As AEBF4 positively emphasised: ‘these Contact Points would allow for more efficient communication and for tapping future business opportunities and would also be used as an important channel to secure dialogue continuity with ASEM in general, and trade and investment matters in particular’ (Chairman’s Statement, AEBF4). However, a number of interviews undertaken and questionnaires sent to the different AEBF Contact Points in research for this empirical study articulated the fact that the network of AEBF Contact Points is still relatively weak and that while some Contact Points are enthusiastic in supporting the AEBF work and ensuring continuity, other Contact Points have been changed too often to allow follow-up on AEBF activities and to maintain the continuity of the AEBF. Moreover, it is important to notice that an organisation like the Union of Industrial and Employers’ Confederations of Europe (UNICE), which could play a useful role in coordinating with both businesses and governments (at least from the European side), was not one of the AEBF Contact Points since the beginning (only until 2005 when UNICE has become part of the AEBF Contact Point network).

Following the informal and non-binding nature of the ASEM in general, the AEBF retains its ‘loose’ structure and there is no AEBF permanent co-ordinator as such (only the AEBF Contact Points from ASEM members, which do not seem to actively coordinate); thus compared to TABD and ABAC, AEBF is likely to be the weakest link in the Triad business world. As a result of this loose AEBF structure, a number of criticisms relating to a lack of continuity can be made as well as those relating to a lack of structure and lack of follow-up strategy. As O’ Brien, for example, observed, ‘AEBF is not one of the more effective components of the [ASEM] process. It suffers from a lack of continuity. It cannot be favourably compared to the TABD whose secretariat ensures that consistency is maintained between meetings’ (2001: 23). Hoedeman, in a similar vein, commented on the lack of an AEBF secretariat that: ‘the AEBF seems less of a well-oiled machine than the TABD which
runs secretariats in both Brussels and Washington D.C.’ (2002: 2). Despite these critics, there is still no AEBF permanent body because even the ASEM itself does not have its own secretariat; rather the host organisation rotates every year according to the AEBF (and ASEM) host country.

In this regard, it can be observed that the European Commission has played an important role in the AEBF process coordinating and implementing AEBF matters, for example, producing a report on responses of ASEM members on AEBF Recommendations (see detail in Section 4.4.5 of this chapter). However, the Commission official responsible for the AEBF as well as representing the Commission’s AEBF Contact Point emphasised during an interview that ‘the EU can only play an observer role supporting in the AEBF process, considering the AEBF is a private business organisation’ (Interview, European Commission, DG External Relations (H1 Unit), Brussels, 27 January 2004). Although the Commission is officially seen as an observer in the AEBF, it is argued that the Commission has played a crucial role in directing the AEBF process and the AEBF can be seen as reflecting the EU’s drive for business engagement as part of its broad commercial diplomacy towards Asia.

4.4.2 The Aims of the AEBF: Changing Emphasis over Time

According to AEBF1, the AEBF aims to establish a twofold dialogue: ‘a dialogue between entrepreneurs’ and ‘a dialogue between businessmen and government representatives’ (Chairman’s Statement, AEBF1). This twofold aim distinguishes two different emphasises of the AEBF: the former aims at building closer co-operation and strengthening relationships among the EU and Asian business communities themselves, and the latter aims at creating a forum for dialogue and networking between governments and business, where the business communities from both Europe and Asia are expected to inject information about obstacles, barriers on trade and investment, or policy input and recommendations as such, into the policy-making community.
Taking into account these two emphases, it can be observed that the focus on building a ‘dialogue of businessmen and government representatives’ seemed to dominate the initial stage of AEBF. This trend reflected the EU’s initial expectation that AEBF would create a forum where business would feed input, which is information on trade and investment barriers facing them in practice, and play a supporting role in the ASEM economic process, thus shaping policy outcomes in ASEM and strengthening trade and investment between the EU and Asia. This mechanism to incorporate business into its overall commercial diplomacy by creating ‘dialogue and networking’ between governments and business, as already argued in Chapter 2, is often seen as part of the EU’s broad commercial strategy in creating a ‘hub-and-spoke’ commercial network (Aggarwal and Fogarty, 2004: 13) to support its position in the global political economy. This in turn implies a more proactive role of the EU towards business and a more supportive EU strategy to strengthen co-operation among business communities between the two regions.

However, this initial EU attempt to create AEBF as a shaper of policy outcomes seems to have been undermined by a number of difficulties during its operation, particularly ASEM governments’ inability to implement business recommendations into concrete action, thus resulting in declining business commitment to attendance at the AEBF meetings. It can be argued that the aim and focus of AEBF seems to have changed over time from AEBF1 in 1996 to AEBF9 in 2004. During the later years, the AEBF has been emphasised as only a useful device for ‘dialogue and networking’ among business people, which implies a focus on the AEBF more as a ‘process’, and less as a generator of ‘outcomes’. For example, AEBF8 in 2003 stated its main objective as ‘constituting a vitally important bridge between the business communities of Asia and Europe’ and emphasised that ‘the Seoul AEBF8 was an ideal venue for business leaders from Asia and Europe to gather and discuss pressing issues as well as to strengthen their networks...AEBF pledges its continued promotion of private sector business

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partnerships through dialogue and exchange between Asian and European business people’ (Chairman’s Statement, AEBF8).

In the following section, this chapter identifies this changing trend and relates it to two images of the AEBF: first, as a shaper of policy outcomes and second as a process of dialogue and networking.

4.4.3 AEBF as Shaper of Policy Outcomes

AEBF1 clearly stated an ambitious aim: ‘to bring about better conditions for trade and investment between the two continents, and give the opportunity to business leaders to inform the public authorities in a constructive spirit of the problems they are faced with and to make suggestions about possible solutions’, meaning that ‘this will give the opportunity to business leaders to help identify the barriers, gaps and any other factors which limit economic relations between the two continents’ (Chairman’s Statement, AEBF1). Research conducted by the author for this project suggested that some AEBF Contact Points emphasised even more strongly the policy input role of AEBF as its contribution to the ASEM process, arguing that ‘the AEBF is highly important, because without private sector input, ASEM could not operate both efficiently and effectively..., especially in having information and inputs from the private sector to tap on, as these ASEM meetings go about in their deliberations’ (Questionnaire Feedback, the Singapore Business Federation, 2 December 2003). This articulated both the EU’s and Asian countries’ initial intentions and expectations to see AEBF playing a ‘policy input’ role by injecting information on trade and investment into the ASEM economic pillar, which could lead to the enhancement of economic and commercial relations between the EU and Asia. This image of the AEBF effectively implies the EU’s and Asia’s expectations of that AEBF would be a shaper of policy outcomes.

In order to play this role, the AEBF is designed to have two main mechanisms allowing it to influence and shape the ASEM economic framework: formally through the AEBF’s Policy Recommendations and informally through the participation of AEBF
representatives in ASEM meetings and activities. This institutionalised linkage between the AEBF and other ASEM economic bodies thus also enables the AEBF to have an underlying role in shaping the ASEM Action Plans, particularly TFAP and IPAP, whose implementation can also reflect AEBF inputs. In this respect, this chapter evaluates the AEBF role as a shaper of policy outcomes through its institutionalised connection with the ASEM process in three ways: (i) AEBF Policy Recommendations, (ii) its link with ASEM Summit, EMM, and SOMTI and (iii) its influence on the ASEM Action Plans, i.e., TFAP and IPAP.

**AEBF Policy Recommendations**

AEBF Policy Recommendations normally follow the main themes of AEBF Working Groups mentioned earlier. After the discussions during AEBF meetings, each Working Group submits a report that outlines and prioritises its discussion and its recommendations to ASEM governments. These Policy Recommendations represent accumulated ideas and concerns transmitted from business to government. For instance, the AEBF8 Recommendations stated eight priority areas: Trade; Investment & Infrastructure; Financial Services; Information & Communication Technologies; Life Science & Healthcare; Food; and Environment. AEBF Recommendations are normally presented as a way to attract business to participate in AEBF; as AEBF8 advertised: AEBF 'provides a unique opportunity to influence the political elite as the recommendations from AEBF are highly appreciated in the ASEM meetings between the participating heads of states and governments from Asia and Europe' (AEBF8 Website at www.imagecity.co.kr/aebf8/). In turn, for the EU these Recommendations can also be seen as useful information in terms of policy input from the business sector injected into the ASEM economic process.

However, the device of the AEBF Recommendations is heavily criticised by some for being 'too general' and for the tendency to include 'too many apparent priorities' (Interview, the Federation of German Industries (BDI), Berlin, 11 December 2003), which could thus lead to ineffectiveness in shaping and influencing the ASEM economic process. Meanwhile, a
German Contact Point also noted that these ‘general’ characteristics perhaps reflect the overall nature of ASEM, which is a dialogue and networking forum, but ‘not a forum to solve particular problems’ (Interview, the Federation of German Industries (BDI), Berlin, 11 December 2003). To be more positive, the substance of AEBF Recommendations is in the hands of AEBF participants and can be easily improved. However, the next question worth more concern is how and with what effects these AEBF Recommendations have been injected into the ASEM economic process.

**Linkages between AEBF and other ASEM Economic Bodies within the ASEM Economic Framework**

It can be observed that AEBF Recommendations are injected into ASEM economic processes on several types of occasion: presenting AEBF Recommendations at the ASEM Summit, close relations with EMM and SOMTI, and shaping ASEM Action Plans, particularly, TFAP and IPAP.

The first channel through which these AEBF Recommendations can be fed into the ASEM economic process is ASEM Summits: In every ASEM Summit usually one or two high-level business representatives (Chairman and Co-chairman of the previous AEBF) make a short formal presentation to the heads of government, informing them of the policy recommendations and important points raised by the business community during the AEBF meetings. It is unquestionable that this represents a significant opportunity for business to lobby governments at a high decision-making level; however, several practical concerns by both business and the AEBF Contact Points about the extent to which this short presentation can influence the ASEM leaders and about the extent to which this business voice has been implemented into action can be observed (Questionnaire Feedbacks, AEBF Contact Points, December 2003- January 2004).

One successful example of an AEBF Chairman reporting AEBF Recommendations to the ASEM Summit is AEBF3, which ran back-to-back with ASEM2 in London on 3 April 144
1998. Sir Martin Laing, Chairman of the British Overseas Trade Board who chaired AEBF3 emphasised to ASEM leaders the importance of ASEM supporting SMEs: ‘we would like to see this SMEs network enlarged...another imaginative initiative that has been launched during our present Conference is ASEMConnect, an electronic network to increase the amount of information about business opportunities available to SMEs in Asia via the Internet’ (AEBF3 Report to Summit Leaders, 3 April 1998). As a result of the idea of ASEMConnect initiated since AEBF2, promoted through the active push from AEBF3 to the ASEM2 Summit, ASEMConnect was finally put in place as a formal ASEM initiative, more particularly under the IPAP activities. This was one case when AEBF could be used effectively as a channel to influence and lobby the ASEM leaders at the ASEM Summit.

The second channel is through EMM and SOMTI. Apart from reporting AEBF Recommendations every second year at the ASEM Summit, AEBF Recommendations are normally considered at SOMTI every year and then reported to EMM. Through this AEBF connection with SOMTI and EMM, it is expected (at least by the Commission) that its recommendations can be regarded as a policy input from the business community, injected into the ASEM economic process. Moreover, AEBF representatives can also participate in SOMTI, EMM and other ASEM meetings (Interview, European Commission, DG External Relations (HI Unit), 27 January 2004). As the Chairman’s Statement of EMM2 in Berlin in 2002 also confirmed, ‘AEBF representatives have participated in various TFAP, IPAP, IEG and SOMTI meetings, while the Chair of AEBF has been invited to give a brief presentation on their work both at the [London] Summit and at the EMM’ (Chairman’s Statement, EMM2). However, in most of the cases they participated in the EMM meetings. For instance, at EMM 4 in Copenhagen on 18-19 September 2002, Mr. Park Yong-oh, Chairman of AEBF reported on the discussion at AEBF7, which was held in parallel with this EMM in Copenhagen (Chairman’s Statement, EMM4). At EMM 5 in Dalian on 23-24 July 2003, Mr.

68 For ASEMconnect, see www.asemconnect.com. It is noted that the study does not aim to evaluate an effectiveness of ASEMConnect.
Kyu-Huang Lee, the representative of AEBF8, participated and briefed Ministers on the recommendations made during AEBF7 as well as the preparatory work for AEBF8, which took place in Seoul, Korea in October 2003 (Chairman’s Statement, EMM5). (See Table 4.3)

Besides AEBF representation in EMM, occasional participation of some AEBF Chairmen in SOMTI has also occurred. For example, in SOMTI7 in Brussels in July 2001, ‘the co-chairs asked the representatives of the AEBF to convey the appreciation of SOMTI to members of AEBF for their positive contribution within the process and encouraged them to contribute to this important task’ (Chairman’s Statement, SOMTI7); and in SOMTI8 when Mr. Christensen, Chairman of AEBF7, participated in SOMTI in Indonesia in July 2002 (Chairman’s Statement, SOMTI8; Questionnaire Feedback, the Confederation of Danish Industries (AEBF7 organiser), 5 December 2003). Importantly, a Commission official pointed out that in fact ‘Member States’ officials in SOMTI are also allowed to nominate and bring the participation of business into SOMTI with them’ (Interview, European Commission, DG External Relations, 27 January 2004). In turn, SOMTI officials or EU policy-makers also attend and play significant roles in the AEBF meetings.

In this respect, it is clear how and through which channel AEBF Recommendations are regularly injected into the ASEM economic process and that the participation of AEBF representatives in both SOMTI and EMM is a regular procedure. In other words, participation not only through the formal connection when SOMTI and EMM consider AEBF Recommendations during their meetings, but also through an informal and long-term connection between business and policy-making communities or the business-SOMTI ‘micro-networking’ (Dent, 2003: 23) in particular has been a central aim of the AEBF. As SOMTI5 in Brussels in 1999 emphasised, welcoming the designation of AEBF Contact Points: ‘these enhanced linkages are a positive step toward enhanced communication and understanding between officials and the business community, and [they] underlined the importance of concrete input from AEBF in both IPAP and TFAP’ (Co-Chairs’ Summary, SOMTI 5).
Nonetheless, the question can be raised: to what extent has this AEBF connection influenced ASEM economic activities and have these recommendations been implemented into action by ASEM members? (These questions will be answered later in Section 4.4.5)

The third channel through which the AEBF can influence the ASEM process is through ASEM Action Plans. Through its institutionalised connection with the ASEM economic pillar and the regular participation of the AEBF representatives in ASEM Summits, EMM and SOMTI, AEBF was also initially designed to be a significant force in shaping ASEM’s Action Plans on trade and investment: TFAP and IPAP, endorsed by the EMM1 in Makuhari in 1997. Not only seen as mechanisms ‘designed to promote two-way trade and investment between ASEM partners’ (Chairman’s Statement, EMM1), these Action Plans can also be seen as examples of successful influence by the AEBF in shaping the ASEM economic process. One of the AEBF contacts pointed out that: ‘the most important successful results of the AEBF were the TFAP and IPAP’ (Questionnaire Feedback, the Confederation of Swedish Enterprise, 2 December 2003). The chapter now turns to examine in more detail the substance of TFAP and IPAP, their connection with the AEBF and particularly their implementation.

4.4.4 AEBF and ASEM Action Plans

Trade Facilitation Action Plan (TFAP)

TFAP was first initiated during SOMTI1 in Brussels in 1996, as senior officials on trade and investment from ASEM members noted: ‘ASEM partners considered ways to promote greater trade between Asia and Europe and to facilitate and liberalise trade between the regions’ (Co-chairman’s summary, SOMTI1). The plan was then presented to Economic Ministers in 1997 at EMM1 (27-28 September 1997) with an emphasis on its two major aims: ‘reducing NTBs and promoting trade opportunities between the two regions’ while ‘complementing and considering work being carried out in bilateral and multilateral fora’ (TFAP, 1997). Finally,
the ASEM2 London Summit endorsed the TFAP. The framework of TFAP adopted in 1997 thus identified seven priority areas and in October 2000, electronic commerce was added to the list of TFAP priority areas as the eighth priority (see Table 4.4).

<table>
<thead>
<tr>
<th>Table 4.4: TFAP Priority Areas</th>
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<tbody>
<tr>
<td>• <strong>Customs procedures</strong>: TFAP aims at promoting simplification, harmonisation and transparency in customs procedures.</td>
</tr>
<tr>
<td>• <strong>Standards, testing, certification and accreditation</strong>: In supporting and enhancing the ongoing cooperation between standards, testing, certification and accreditation bodies.</td>
</tr>
<tr>
<td>• <strong>Public procurement</strong>: TFAP aims at promoting transparency in public procurement, in particular through exchanging information on public procurement procedures, statistics and opportunities.</td>
</tr>
<tr>
<td>• <strong>Quarantine and SPS procedures</strong></td>
</tr>
<tr>
<td>• <strong>Intellectual property rights</strong></td>
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<tr>
<td>• <strong>Mobility of business people</strong></td>
</tr>
<tr>
<td>• <strong>Other trade activities</strong>: TFAP would inter alia aim at</td>
</tr>
<tr>
<td>o promoting an exchange of views among partners, in both the public and business sector, on the manner in which market access in the distribution sector can best be enhanced, and</td>
</tr>
<tr>
<td>o creating an ASEM data-base or virtual market-place, providing the business sector with easy access to comprehensive and up-to-date information on legal and administrative trade regimes of ASEM partners, on business opportunities, and on market trends.</td>
</tr>
<tr>
<td>• <strong>Electronic commerce (from 2001)</strong></td>
</tr>
</tbody>
</table>

Source: TFAP, 1997; and TFAP Concrete Goals 2002-2002

Following these aims and priority areas, TFAP activities have been focused mainly on organising working groups and seminars according to different priority areas. Examples of TFAP activities during 1999-2000, as SOMTI6 noted, are for example: the first Seminar on Public Procurement in Berlin (14-15 September 1999); the third Meeting on Standards and Conformity Assessment in Brussels (4-6 October 1999); the second Seminar on Quarantine and SPS Procedures in Beijing (23-26 November 1999); the fourth Meeting on Standards and Conformity Assessment in Bangkok (28 February to 1 March 2000); the second Seminar on Intellectual Property Rights in Nakornratchasima, Thailand (16-18 March 2000); and the fourth Working Group Meeting on Customs Procedures in Brussels (14-15 April 2000) (Chair's Statement, SOMTI6). See list of TFAP Working Groups (2005) in Annex 4.3.
However, as noted in the TFAP framework, TFAP and its activities '[have] potential for building understanding, and should be a catalyst of progress on the discussion of trade facilitation issues. It [TFAP] shall promote understanding and awareness among ASEM partners in these areas' (TFAP, 1997). This clearly indicates the TFAP's major aim to facilitate cooperation by providing information, reducing transaction costs, and improving communication and coordination.


During these three phases of TFAP implementation (from 1998-2004), it has always been clear to both the European Commission and ASEM policy-makers that the expectations and aims of TFAP were 'not a forum for negotiations, but it contributes to the goal of promoting, facilitating and liberalising trade between Asia and Europe by providing a venue for exchange of views and for work on the implementation of commonly agreed deliverables' (Evaluation of The ASEM Trade Facilitation Action Plan 1998-2000). An interview with a European Commission official confirmed this loose and voluntary nature of TFAP: 'TFAP is only a dialogue for talking and discussing trade issues among policy-makers from Europe and Asia' (Interview, European Commission, DG External Relation (H1 Unit) Brussels, 27 January 2004). As Yeo also noted, TFAP thus represents only 'a loose policy consultation',
'rather than being a forum for negotiating agreements [and it] will not permit any effective binding agreement on rules and regulations' (2002b: 17).

While emphasising its non-binding character as a form of policy consultation, it is important to note that business involvement in the TFAP process as a policy-input is also expected, particularly through the AEBF. As emphasised in the 1997 TFAP Framework, 'business sector participation in the TFAP process will be essential in order to help identify issues and priorities, and to generate support for their implementation....through the ASEM Business Forum' (TFAP, 1997). As a result, a number of TFAP working groups and seminars not only included policy makers but intended to attract business, whom the Commission expected to play a policy input role by providing information on trade barriers with an aim to facilitate trade between the two regions.

However, for business to participate in the AEBF and contribute to the TFAP process (as initially envisaged by the EU) means also seeing tangible outcome from ASEM governments, translating TFAP into actions. On the other hand, the loose, non-binding and voluntary nature of the TFAP was clearly among its principles and objectives. This leads to contradictory ideas on TFAP between policy-makers and business.\(^{69}\)

**Investment Promotion Action Plan (IPAP)**

IPAP was first called for at the inaugural ASEM in 1996 (even before the initiation of TFAP by SOMTI I). The ASEM Heads of State meeting at the ASEM1 Summit in Bangkok in 1996 'underscored the urgent need to increase European investments in Asia from their present low levels, as well as to encourage Asian investments in Europe' and 'agreed to encourage the business and private sectors, including SMEs of the two regions, to strengthen their cooperation with one another and contribute towards increasing trade and investment between Asia and Europe' (Chairman' Statement, ASEM1, Paragraph 12, 14). The perception that existing levels of investment flows between the two regions were too low or inadequate and

\(^{69}\) This point will be elaborated further in Section 4.4.7
that European investors had not accorded the same relative importance to developing Asia as had investors from the US and Japan was an important issue for consideration during the preparation of IPAP.

Following this ASEM1 initiation, the Thai Board of Investment on behalf of the Royal Thai government (an organiser of ASEM1), in the preparation of this Action Plan, organised a meeting of an ‘ASEM Government and Private Sector Working Group’ (7-9 July 1996) to draw up the IPAP framework\(^7\). The deliberations of the meeting were presented to the SOMTI in late-July 1996. Then, an initial draft IPAP was also presented in October 1996 to the AEBF held in Paris, with a view to soliciting additional business sector input into the IPAP. A draft document was reviewed and finalised at the second meeting of the ASEM Government and Private Sector Working Group in Luxembourg on July 28-29, 1997 (ASEM Invest Online Website).

The preparation of the IPAP shows strong business involvement through AEBF within the drafting process, which also reflected the aim of ‘creating a business/government interface mechanism to deal with all aspects of business co-operation’ (IPAP, 1997). As it is noted, ‘IPAP was put forward by AEBF1’ (Chairman’s Statement, AEBF2) and during AEBF1, ‘the business leaders [also] noted the importance of enhancing investment relationships between Asia and Europe and a need to boost investment between Asia and Europe, they also recognised the importance of the ASEM IPAP in addressing these issues and expressed appreciation to the IPAP secretariat for their active support of the AEBF’ (Chairman’s Statement, AEBF1). This demonstrated the AEBF influence on setting up the principles and aims of IPAP.

Table 4.5 shows the basic IPAP principles mentioned in the IPAP paper of 29 July 1997. It is possible to note that these IPAP principles not only aim to ensure an active business-government dialogue and co-operation in all ASEM investment related activities but

\(^7\) Participants included public and private sector representatives from the 25 ASEM countries; a total of over 80 persons attended the Meeting.
also commit to the concept of open regionalism and support the multilateral commitment, principally the WTO. This follows the EU's general means of ASEM as 'a catalyst for WTO liberalisation' (Dent, 1999: 31) in particularly supporting multilateral frameworks.

<table>
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<tr>
<th>Table 4.5: IPAP Principles</th>
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<tbody>
<tr>
<td>• Commitment to mobilising business sector resources and ensuring active business/government dialogue and co-operation in all ASEM investment-related activities.</td>
</tr>
<tr>
<td>• Commitment to the market economy and to necessary reforms.</td>
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<tr>
<td>• Recognition of the benefits of an open multilateral trading system.</td>
</tr>
<tr>
<td>• Commitment to non-discriminatory liberalisation and transparency in policy implementation in the trade and investment arena.</td>
</tr>
<tr>
<td>• Commitment to the concept of open regionalism, whereby economic relations between ASEM partners will be strengthened, while at the same time opening ASEM to trade and investment with the rest of the world.</td>
</tr>
<tr>
<td>• Commitment that all initiatives will be fully consistent with, and supportive of, the World Trade Organisation (WTO).</td>
</tr>
<tr>
<td>• Commitment that all initiatives will be fully consistent with other multilateral co-operation agreements involving groups of ASEM partners.</td>
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</table>

Source: IPAP (1997)

Therefore, to achieve a primary objective of IPAP 'to generate greater two-way investment flows between Asia and Europe through enhancing the investment climate between and within Asia and Europe' (IPAP, 1997), the IPAP had the following subsidiary objectives. (See Table 4.6)

<table>
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<tr>
<th>Table 4.6: IPAP Subsidiary Objectives</th>
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<tr>
<td>• To strengthen business/government co-ordination and co-operation structures and mechanisms to ensure that perspectives and inputs from both sides are reflected in business-related activities of ASEM.</td>
</tr>
<tr>
<td>• To enhance Asia-Europe business-related people-to-people contacts.</td>
</tr>
<tr>
<td>• To raise the investment profile of Asia in Europe and Europe in Asia by taking a more proactive role in cross-flows of investment in order to promote an equal and mutually beneficial partnership between the two regions.</td>
</tr>
<tr>
<td>• To build on and create synergy among existing programmes designed to promote Asia-Europe investment activities, including government initiatives such as the European Business Information Centres (EBICs), Asia Invest, the European Community Investment Partners (ECIP), and business sector ones such as the World Economic Forum Europe-East Asia Summit and activities of chambers of commerce.</td>
</tr>
<tr>
<td>• To improve frameworks of investment policies and regulations within</td>
</tr>
</tbody>
</table>
ASEM.

- To create linkages between the business sectors from each region that will allow them to benefit from and enhance the economic dynamism and synergies of both regions.
- To establish, if necessary, or enhance information networks and information sharing systems to promote investment flows between Asia and Europe.

Source: IPAP (1997)

Following this IPAP framework, IPAP was translated into concrete action through a series of practical activities under two broad pillars, both of which involved a strong emphasis on government/business sector co-operation and co-ordination. The two Pillars of IPAP activities were: first, the Investment Promotion Pillar, which includes activities designed to facilitate and enhance investment and business. These generally involve a stronger relative contribution of the business sector with government playing a supporting role; and second the Investment Policies and Regulations Pillar, which includes all activities relating to the regulatory and legal framework governing the investment environment. These issues generally involve a strong government contribution, with the business sector providing consultative inputs (IPAP, 1997) (See Figure 4.7). The two pillars of IPAP activities reflect the EU’s ambition (through the ASEM process) to coordinate and facilitate investment, which in fact does not fall under the EU’s commercial autonomy or exclusive competence.

Figure 4.7: The Two Pillars of IPAP Activities

Source: IPAP (1997, Section 5.2)
In order to implement the IPAP activities, at the EMM1 held in Makuhari, Japan (27-28 September 1997) Ministers agreed to the establishment of an Investment Experts Group (IEG) under SOMTI in which ‘government officials could discuss investment related issues in a balanced manner from both the promotion aspect and the aspect of policies and regulations, interfacing with the business sector through the Business Forum’; it was noted that ‘the IEG shall assist the SOMTI in following up on the initiatives of the IPAP and should meet regularly, normally back to back in advance of the SOMTI’ (Chairman’s Statement, EMM1). The IEG had an original mandate of two years (1998-2000). Then it was renewed by EMM2 in October 1999, and by EMM3 in September 2001 until 2004 (Chairman’s Statements EMM2 and EMM3). The IEG, which comprises a group of investment experts from each ASEM member, can be seen as the mechanism to co-ordinate and implement IPAP activities. Six IEG meetings took place from 1998-2002\(^1\), and importantly the European Commission was also part of these meetings as a coordinator.

One of the IEG activities is to produce ‘a list of the Most Efficient Measures (MEM) to attract FDI’ (initiated at IEG3 in 1999), which is used as a benchmark for investment policies of ASEM partners. As mentioned by IEG3 in Brussels in July 1999, the IEG has adopted a ‘bottom up’ approach to its discussion of how best to attract FDI [thus] ‘rather than attempting to agree at the outset on a set of abstract investment principles towards which ASEM partners would strive, IEG is looking first at the practical measures which have been already proven to be effective in attracting FDI’ (Co-Chair’s Statement, IEG3). ASEM partners are supposed to report regularly on progress in implementing the list of MEM; and then in close cooperation with the Commission, the IEG produced a progress report on how the ASEM partners were implementing this MEM list, or IPAP in general. Three MEM

progress reports were published, in 2000, 2001 and 2002. Moreover, the ASEM Investment Online (AIO) website was established to support the work of IPAP and IEG.

More importantly, the aim to involve the business community in the work of IEG and IPAP was stressed by the EMM1 in 1997: ‘in order to gain business input, the IEG shall be open for consultative inputs from the business sector (AEBF)’. During the IEG3 meeting in 1999 this was again emphasised: ‘the business community [which] will be represented by AEBF…will be invited to participate in IEG discussions on appropriate agenda points and ASEM partners will be consulted on the modalities of business community participation at IEG meetings’ (Co-Chair’s Statement, IEG3). This undoubtedly reflects the EU’s ambition to build connections between the AEBF and the ASEM economic bodies and use AEBF in the policy input role identified earlier.

4.4.5 Has the AEBF Had Tangible Outcomes?

As argued earlier, the EU seemed to base its initial aims and expectations in respect of AEBF on its potential as a generator of policy outcomes and to hope that the institutionalised connection between the AEBF and other economic bodies under the ASEM economic pillar could in principle pave the way for the AEBF as a useful tool to produce tangible outcomes in supporting the ASEM economic framework, and more broadly EU-Asian economic relations.

During the early years, AEBF was active in playing such a policy input role: both in supporting the works of ASEM’s SOMTI, EMM, and IEG and in implementing TFAP and IPAP. However, the declining interest of business in participating in the later AEBF meetings, and thus a decline in support for the work of ASEM, can be observed during the later years. It might be assumed that the marginal nature of AEBF’s tangible outcomes and negligible

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72 'Progress reports on implementation of the MEMs (as endorsed by Economic Ministers of ASEM) by ASEM partners' by IEG4 in Seoul, 11-12 May 2000; 'Measures Taken by ASEM Partners to Address Consolidated List of Obstacles to Investment and Implement the MEMs to Attract FDI', by European Commission, 3 August 2001; and 'Measures Taken by ASEM Partners to Address Consolidated List of Obstacles to Investment and Implement the MEMs to Attract FDI' by IEG6, 2002.

responses from ASEM governments in implementing AEBF Recommendations and ASEM Action Plans could be a main reason for declining business interest in the AEBF process.

Interviews and questionnaires with the European Commission, policy-makers from ASEM members and AEBF Contact Points suggest that the tangible outcomes of the AEBF were marginal. This sentiment can be understood in two ways: first, the negligible responses from ASEM governments in implementing AEBF Recommendations, and second the relatively low level of success in implementing the TFAP and IPAP.

Firstly, the lack of effective follow-up mechanisms to ensure the commitment of ASEM Member States in translating AEBF Recommendations into action results in a slow and often negligible response from the ASEM governments. The European Commission, nominally an observer in the AEBF, has also played a more supportive and co-operative role in facilitating the implementation of AEBF Recommendations by gathering information from ASEM Member States on how they have been implementing the AEBF Recommendations. According to a Commission official responsible for ASEM, ‘the Commission produced reports summarising ASEM partners’ responses to the Recommendations of AEBF. The first report was on AEBF5 Recommendations74, and another similar report was on AEBF7’ (Interview, European Commission, DG External Relations (H1 Unit), Brussels, 27 January 2004). However, as one AEBF Contact Point noted, ‘initially there had been seen some [AEBF] success, but there now seems to be a certain fatigue both from governments in writing implementation reports, and from companies giving input, when actual progress as seen by companies has been very slow’ (Questionnaire feedback, Confederation of Swedish Enterprise, 2 December 2003). Therefore, these responses from ASEM governments on AEBF do not seem to meet either Commission expectations or the business community’s initial expectations for fast and effective tangible outcomes of AEBF. Besides some support

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74 This report covered the implementation of AEBF5 Recommendations made by several ASEM partners, namely Korea, Malaysia, Philippines, China, Viet Nam, Japan, Singapore, Thailand and Brunei Darussalam on the Asian side, and the European Commission for the EU on the European side (European Commission, DG External Relation Website).
provided by the Commission in producing this AEBF report, AEBF does not seem to have established other more effective follow-up mechanisms, which could assure commitment from, or at least encourage, ASEM governments to implement AEBF Recommendations. Although the network of AEBF Contact Points among ASEM members was initiated by AEBF2 as a mechanism to coordinate and follow up the implementation of AEBF Recommendations, this can still be considered a relatively informal and weak type of networking.

The second reason for the marginal outcomes of AEBF links to the marginal success in implementing the TFAP and IPAP. While the non-binding nature of ASEM/AEBF itself shows the lack of mechanisms to ensure ASEM Member States follow its Recommendations, and thus produce tangible outcomes, it seems that the only instances where the AEBF influenced and played a supportive role in the ASEM economic process during its early stage were those of TFAP and IPAP.

However, it is important to notice that the AEBF seems to have had more influence over and involvement in IPAP than on TFAP, particularly its strong influence on the initiation and preparation of IPAP as well as its participation in the IEG. Apart from the role played by AEBF1 in the initiation of IPAP, AEBF4 also played an active role in supporting the implementation of both TFAP and IPAP. AEBF4 emphasised the importance of the implementation of these two Action Plans (Chairman’s Statement, AEBF4, Seoul, 1 October 1999). The 1st Steering Committee meeting held in Seoul on 17-18 December 1998, in preparation for AEBF4, decided to establish the ‘TFAP and IPAP Task Forces’ to discuss issues pertaining to the implementation of TFAP and IPAP. These Task Forces ‘could serve as a platform for the private sector to provide their inputs to senior officials regarding the implementation of TFAP and IPAP’ (Co-Chairmen’s Summary, SOMTII4, Singapore, 11-13 February 1999). As a consequence, AEBF4 established the ‘AEBF IPAP Task Force’, and in order to share practical and valuable information and investors’ cross-regional investment
experiences, the first ASEM Decision-Makers Roundtable was also held in conjunction with AEBF4 (Chairman's Statement AEBF4, Seoul, 29 September - 1 October 1999). However, it seems that this TFAP Task Force has never been established.

When considering the role of the EU in this process, it is argued that the EU (particularly the Commission) has been involved pushing forward the implementation of these two ASEM Action Plans. The creation of TFAP and IPAP and its attempt to set up a business-policy making linkage through institutionalised connection between AEBF and other ASEM economic bodies (TFAP, IPAP, IEG, SOMTI) can be seen as the Commission’s way of strengthening trade and investment between the EU and Asia; this thus undoubtedly indicates the role of EU in Asia as a ‘catalytic state’ that ‘seek[s] to promote and encourage rather than constrain[s] the internationalisation of corporate activity in trade, investment, and production’ (Weiss, 1998: 208) by co-operating with other economic actors, i.e., firms, as already argued in Chapters 1 and 2. However, it is also important to note that while the TFAP, which focuses on facilitating trade and reducing trade barriers between the two regions, unquestionably falls under the EU’s commercial competence, the IPAP, which focuses on investment promotion and coordinating investment policies and regulations, does go beyond the scope of the EU’s commercial autonomy (already discussed in Chapter 2). Rather, the issue of investment is still the Member States’ competence.

As noted earlier, the EU and ASEM member state officials, particularly under SOMTI and IEG, have been supervising the implementation of TFAP and IPAP by producing a number of reports on the implementation of the programmes. However, despite a number of progress reports having been produced, the targets set by TFAP and IPAP have not been successfully translated into action by the ASEM governments in the eyes of business. The

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75 The Federation of Korean Industries (FKI), the host organisation of AEBF4 also conducted a survey on ‘Mobility of Business People’ and ‘Investment Impediments’. Based on these reports, practical and specific recommendations for the implementation of ASEM TFAP and IPAP were adopted at AEBF4 (Chairman's Statement AEBF4, Seoul, 29 September - 1 October 1999).

76 However, there can be observed an establishment of TFAP Facilitator Countries together with Working Groups instead. See Annex 4.3, page 336.
Commission's officials themselves, (both from DG Trade and External Relations) those responsible for ASEM, largely shared the view that the implementation of TFAP and IPAP has not been very successful (Interview, European Commission, DG External Relations, Brussels, 12 June 2003 and Interview, European Commission, DG Trade, 28 January 2004).

In a similar vein, one of the Asian officials responsible for the implementation of the TFAP and IPAP on the ground also agreed that 'there has hardly been any practical action from these Action Plans implemented' (Interview, Ministry of Commerce, Bangkok, 16 September 2003).

Experience with AEBF, TFAP and IPAP suggests that while TFAP and IPAP are called 'Action Plans' aiming at promoting trade facilitation and investment between EU and Asia, they seem to be Action Plans with little 'outcome-oriented' implementation. In order to evaluate the impact of TFAP and IPAP it is important to bear in mind the explicitly non-binding nature of these two Action Plans. As Yeo noted, the emphasis of TFAP and IPAP is on the exchange of information and identification of barriers to trade and investments, and developing benchmarks applicable to both Asia and Europe. The implementation of the effective measures and best practises to remove trade barriers and to improve investment climate is entirely up to the individual ASEM member states (2002b: 7).

Although the TFAP process is on-going with some recent activities going on in 2005\textsuperscript{77}, IPAP's IEG was ended in July 2003 with marginal success. A Commission official accepted in June 2003 that 'with its marginal success, the IEG was discontinued after the last IEG7 meeting on 5 June 2003 in Paris'[and] 'we need to find a new strategy' (Interview, European Commission, DG External Relations, Brussels, 12 June 2003). In 2004, the Commission decided to replace the IEG with a network of 'Investment Contact Persons (ICP)', which runs networking between former IEG people without any commitment to regular meetings, but rather to an 'ad-hoc' seminar or workshop, voluntarily organised by

\textsuperscript{77} More recently, TFAP activities have been, for example, the eleventh meeting on Standards and Conformity Assessment in Tokyo, Japan, (2-3 February 2005) and the fourth Meeting on E-Commerce in London, UK (23 Feb 2005) (ASEM infoboard website at \url{www.aseminfoboard.org/Documents/}).
ASEM Member States to promote EU-Asian investment ties (Interviews, European Commission, DG Trade, 28 January 2004). However, the ICP activities have not yet been observed. The fact that TFAP seems to be more successful than IPAP might be a reflection of the unevenness of the EU’s commercial autonomy (i.e., possessing only exclusive autonomy in trade, but not in investment) as argued in Chapters 2 and 3. Member States still retain most of their commercial autonomy in investment matters, particularly investment promotion, and thus the work and co-operation of ASEM members on IPAP faced more difficulties than that of TFAP.

It can be concluded that the TFAP and IPAP do not seem to represent successful tools in generating outcomes for greater two-way trade and investment flows between Asia and Europe and that the business side, the AEBF, has been disappointed with the lack of tangible outcomes from the process. In other words, the EU’s success in using ASEM’s economic process (AEBF, TFAP and IPAP) to produce tangible outcomes in enhancing trade and investment between the EU-Asia is still relatively limited.

4.4.6 The AEBF as a Process of Dialogue and Networking

While the EU does not seem to have achieved its initial aim to use AEBF as a policy-input mechanism, nor as a generator of tangible policy outcomes through the ASEM economic process, in more recent years of AEBF operation the EU seems to have shifted its attentions to increasingly emphasising the value of AEBF as a ‘process’ of dialogue and networking between public and private sectors from Europe and Asia: a forum that gathers the Commission, EU Member States, Asian officials, policy-makers and business sectors from the two regions to (at least) discuss trade and investment issues. A Commission official stressed during an interview in 2004 the importance of AEBF as a long-term ‘process’: ‘rather than focusing on the relatively low tangible outcomes produced by AEBF in the past, AEBF can still be seen as a useful process of dialogue and networking among European and Asian businessmen, government officials, representatives from industrial federations and trade
associations’ [which means] ‘the soft value of AEBF in enhancing understanding and promoting relations between the EU and Asia’ (Interview, European Commission, DG External Relations (H1 Unit), Brussels, 27 January 2004).

In this section, rather than focusing on the AEBF only as an outcome-oriented forum, the chapter focuses on the soft value of the AEBF. Despite being criticised as a mere talking shop, the AEBF is still important as a dialogue and networking forum gathering political leaders, policy-makers, and big businessmen and business women78 from the EU and Asia every year. A volume of questionnaire feedbacks and a large number of interviews with AEBF Contact Points in ASEM member countries tend to agree with this soft value of AEBF as a long-term process rather than a mechanism to produce immediate outcomes. For example, the Confederation of Danish Industries, while viewing AEBF as ‘an integrated part of the ASEM economic leg, particularly EMM’, emphasised the value of AEBF as ‘a long term-lobbying process’ [which] ‘could legitimate the ASEM process by putting pressure on and providing the specific examples [from the business] to the political world’ and ‘could help Asian and European politicians and civil servants by providing examples of rules which may hinder the free flow of trade and investment between the two continents’ (Questionnaire Feedback, the Confederation of Danish Industries, 5 December 2003). The British Department of Trade and Industry, in a similar vein, viewed AEBF as ‘an essential link between business and government, contained within the wider ASEM framework’ and added: ‘AEBF provides a platform for high-level discussion and networking covering trade and investment issues’ (Questionnaire Feedback, the Department of Trade and Industry, UK, 19 December 2003).

In fact, the importance of AEBF as a process of dialogue and networking has been noted since the initial stage of its operations, but during the earlier years of AEBF operation the policy-input and outcome-oriented ambition seemed to slightly overshadow the AEBF’s

78 The use of businessmen and business women here is an example of gender-neutral terms used in this thesis. See Introduction, page 12.
value as a process. However, it can be argued that when the outcome-oriented ambition did not seem to function well, the AEBF did shift its focus to a more process-oriented, one or AEBF as a process of dialogue and networking in order to keep its attractiveness to business. This also followed the overall trend of ASEM, as Yeo argued, the ASEM4 in 2002 ‘marked the realisation and acceptance that ASEM is about forging a long-term partnership’ (2003: 161). For instance, AEBF8 in 2003 explicitly emphasised the importance of AEBF as a useful dialogue and networking mechanism among business for lobbying and meeting with ASEM government officials: ‘the AEBF strives to strengthen economic cooperation between the business sectors of both regions. It provides an effective platform for high-level discussion and networking’ (AEBF8 Official Website at www.imagecity.co.kr/aebf8/). AEBF9 in 2004 also focused on its role as a business networking forum, as Mr. Ngo Van Thoan, Chairman of AEBF9 emphasised: ‘AEBF9 will assume the responsibility for making itself more relevant to the business community and the ASEM process and become more co-ordinated and continuous than it was in the past’ (Welcome Message from Mr. Ngo Thoan, Chairman of AEBF9, AEBF9 Official Website at www.aebf9.com). This trend indicates the AEBF’s response to a decline in business interest in the later AEBF meetings, and thus a less directly supportive role for the work of ASEM during the later years.

4.4.7 Challenges and Criticisms for the AEBF Process

In promoting economic relations between Europe and Asia, business representatives have been a key component of the ASEM process, but involving the business community remains a big challenge. While emphasising the importance of AEBF as a process of dialogue and networking, this part of the chapter turns to identify challenges and criticisms facing the AEBF process.

The first and major criticism facing the AEBF is business disinterest and dissatisfaction. Recently the AEBF process has been facing difficulty in recruiting business participants. Both a lack of AEBF ability to produce fast and tangible outcomes and a lack of
TFAP and IPAP implementation, mentioned earlier, have led to business dissatisfaction and disinterest with the AEBF process. A number of AEBF Contact Points noted how difficult it has become to recruit business participants in AEBF. According to the German Contact Point (Interview, Federation of German Industries (BDI), Berlin, 11 December 2003), ‘1,000 invitations were sent out to our members to join AEBF8 in Korea, but the result was not successful’. The Finnish Contact Point added: ‘businessmen and business women who have previously attended the AEBF meetings have expressed their dissatisfaction with the AEBF process, which has so far not generated concrete benefits to business’ (Questionnaire Feedback, the Confederation of Finnish Industry and Employers, 7 January 2004). For instance, the German business delegation to AEBF8 consisted of 12 people, one of the biggest delegations joining AEBF8. However, it is important to note that among these 12 people, there were only 6 businessmen, other were policy-makers, government officers, and representatives from business associations or Chambers of Commerce. In addition, very often smaller ASEM Member States do not nominate business representatives to attend AEBF; instead they send officials or government representatives, for example, their Ambassadors or Commercial counsellors based in the organising country. Business disinterest and dissatisfaction in AEBF is seen as a major challenge in keeping the AEBF process going.

A second challenge is a government-business mismatch of interests during the process of AEBF. While AEBF participants comprise businessmen and business women and government officials/policy makers, it is clear that officials and business participants see the benefits of joining AEBF in very different ways. While business expects more tangible outcomes and immediate implementation of AEBF Recommendations, policy-makers (i.e., officials of ASEM governments) focus more on AEBF as a long-term process in dealing with trade and investment barriers (Interview, European Commission, DG Trade, Brussels, 28 January 2004).
An ASEM Contact Point also noted that on the one hand, government representatives, policy-makers and representatives from industrial federations and other lobbying business organisations focus on the ‘regulatory policy’ aspect of AEBF, including market access, trade facilitation, and investment promotion. On the other hand, the individual businessmen seem to see AEBF as a forum for ‘lobbying’ government officials and/or ‘networking’ among themselves, where they can meet and build their contacts with government officials and other businessmen, and sometimes even would like to raise particular business problems and obstacles with political leaders (Questionnaire Feedback, Confederation of Swedish Enterprise, 2 December 2003). Thus, it is not surprising when some AEBF Contact Points from Confederations of Industry or Trade Associations express the concern that the participants from individual companies ‘seldom have a full systemic view of regulatory issues, but are mainly concerned with specific issues of immediate concern to their own business and they are not sufficient to bring about the systemic changes which are needed on the legislative level to remove most barriers to trade and investment’ (Questionnaire Feedback, Confederation of Swedish Enterprise, 2 December 2003). Conversely, the business side, which focuses on the AEBF as a place for lobbying and networking, often criticised the AEBF process on its lack of ability to produce tangible and speedy outcomes.

The above statements express the mismatch of interests between official and business in the AEBF process. In order to retain AEBF as a useful process of dialogue and networking for both public and private sectors from Europe and Asia, the two sides have to find a middle way to compromise on this mismatch of interests: officials would need to find a new mechanism to respond and to implement business recommendations made by AEBF meetings, and business would need to play a more proactive role in providing and feeding information and policy inputs into the process.

A third criticism concerns tensions between big business and SMEs representation in AEBF. It is important to note that in order to join AEBF, business representatives from
companies have to pay their own costs (Questionnaire Feedback, Confederation of Swedish Enterprise, 2 December 2003). As a result, the limited financial and human resources of smaller businesses restrict the participation of SMEs in AEBF. While one major aim of AEBF is ‘to help promote and strengthen the growth of SMEs’ (Chairman’s Statement, AEBF2), the participation of SMEs is likely to be limited and is still difficult in practice due to these financial limitations. Meanwhile the limitations of SME participation in AEBF also lead to unavoidable criticism of the dominance of big business in the AEBF process. For instance, Oliver Hoedeman (2002) of Corporate Europe Observatory (CEO)\(^7\) strongly criticised AEBF for its ‘corporate bias’, noting that ‘the annual AEBF conferences are only the tips of the iceberg… …there is an almost symbiotic relationship between the AEBF and the government officials within ASEM, including those from the European Commission’. Although it is fair to note the corporate bias of AEBF, it is also important to bear in mind some significant AEBF efforts in the past to promote the growth of SMEs. For instance, ‘ASEM Connect’ was set up, with a website which aims to facilitate on-line business matching and access to information as part of ASEM’s efforts to address the needs of SMEs\(^8\). While the dominant position of bigger business in AEBF is unavoidable because of the fact that smaller companies have limited financial resources to bear the costs of joining AEBF, the industrial federations and trade associations from ASEM member countries can represent SMEs’ interests. The Federation of German Industries (BDI) confirmed their support of SMEs interests in the AEBF meetings (Interview, Federation of German Industries (BDI), Berlin, 11 December 2003). This shows a positive view: that the representatives from national business organisations, who normally have SMEs among their membership, could also represent SMEs interests in AEBF meetings.

\(^7\) Corporate Europe Observatory (CEO) is a research and campaign group targeting the threats to democracy, equity, social justice and the environment posed by the economic and political power of corporations and their lobby groups.

\(^8\) The study does not aim to further discuss an evaluation of ASEMConnect.
To conclude, AEBF is unlikely to be successful in producing immediate and tangible outcomes. The TFAP and IPAP, which can be seen as products of AEBF appear unlikely to be implemented successfully or to produce any substantial outcomes. Though it is important to give credit to the AEBF as a process of dialogue and networking between public and private sectors from Europe and Asia, declining business interest and thus declining business participation in this process is still a challenge for the AEBF, and could also result in a changing of the AEBF’s direction, from a ‘business forum’ to a ‘policy-maker forum’, as argued by a number of ASEM Contact Points. This thus raises the question about effectiveness of AEBF as a process and more broadly about the EU business engagement strategy at the transregional level per se.

In order to maintain the effectiveness of AEBF (at least) as a process of useful dialogue and networking between governments and business and thus to engage business more fully into the ASEM diplomacy framework, even if not as a forum to produce speedy and concrete outcomes, it can be concluded that the AEBF process does need radical reform. The Commission does seem to realise this problem, and ‘have been working to find out a good idea of how to improve AEBF process as a useful and interesting dialogue for both policy-makers and business’ (Interview, DG Trade, European Commission, 28 January 2003).

Recently, in order to make the AEBF process more effective, AEBF9 in Hanoi in 2004 set up a core group, reinforcing the role of AEBF as Business Advisory Council to ASEM, and also decided that in the future AEBF will meet every two years in connection with the ASEM Summit (Chairman’s Statement, AEBF9). This decision to organise an AEBF meeting every 2 years, instead of every year, seems to confirm the EU intention to use AEBF only as a dialogue and networking process. Importantly, this confirms the EU’s and particularly the European Commission’s continuing attempt to pursue positive and proactive roles in business engagement at this transregional level.
4.5 CONCLUSION: THE EU'S COMMERCIAL AND BUSINESS ENGAGEMENT AT TRANSREGIONAL LEVEL

Since its inception in 1996, ASEM has become an important mechanism for the EU to enhance its commercial relations with Asia at transregional level. While reinforcing trade and investment relations between Europe and Asia has been one of the ASEM priorities, business representatives have been included as a key component of the ASEM process through the creation of AEBF. This chapter has investigated the ASEM economic process and particularly the AEBF, by arguing first that the ASEM can be seen as a significant form of EU commercial engagement in Asia, and that the AEBF should be viewed as a business engagement strategy forming a significant part of the EU’s broad commercial strategies towards Asia at the transregional level.

Some scholars evaluate ASEM by focusing on its strategic importance as a mechanism to produce concrete policy-outcomes (Yeo, 2000, 2004b), while others view ASEM as a process of networking (Dent, 2003: 224). In line with these two different approaches, this chapter has evaluated the ASEM economic process and particularly the AEBF by distinguishing between the importance of the AEBF as a shaper of outcomes and as a process of dialogue and networking. At the early stages of AEBF, it was obvious that the EU seemed to emphasise its strategic importance as a generator of policy-outcomes at the transregional level, expecting the AEBF to play a policy-input role, providing the ASEM economic bodies, particularly EMM and SOMTI, with useful business recommendations, and supporting two key ASEM Action Plans on trade and investment, TFAP and IPAP. This then could help strengthen trade and investment relations between Europe and Asia. Investigation of the importance of AEBF as a shaper/generator of outcomes in the previous sections has illustrated that both the AEBF and TFAP and IPAP, do not seem to have produced speedy and tangible outcomes in promoting trade and investment between the two regions. However, this does not necessarily equate to a failure of the EU’s commercial and business engagement strategy in
Asia. Rather, the soft value of AEBF as a process of dialogue and networking in enhancing understanding and promoting potential long-term relations between the EU and Asia should also be recognised.

Through the investigation of AEBF as an integrated part of the ASEM economic process undertaken in this chapter, it is possible to conclude three major characteristics of AEBF – as a process of dialogue and networking, as a peak transregional organisation, and as a grand and formal business engagement strategy in Asia – which in turn reflect different answers to questions posed at the beginning of the thesis about the types of instruments used, strategies developed, stakeholders engaged, roles played by the EU in engaging both states and firms at this transregional level.

First, AEBF is seen as a process of dialogue and networking. By focusing on its value as a process rather than a generator of policy outcomes, this chapter has noted that the forum has a close connection with other ASEM economic bodies, i.e., the ASEM Summit, EMM, SOMTI, and IEG, both formally (through AEBF Recommendations) and informally (through AEBF participation and representation in these sets of ASEM meetings). These linkages with other ASEM economic bodies can undoubtedly be seen as a form of useful dialogue and networking, linking governments and businesses in Europe and Asia together, in which the EU through the European Commission is also part of the process. This evaluation of the AEBF’s importance as a process of dialogue and networking seems to follow Dent’s argument (argued earlier) about the ASEM progress in terms of ‘socialisation’, meaning ‘fostering the micro-networking links between various communities (government, business, civil societal) from Europe and East Asia’ (2003: 224). According to Dent, this socialisation process is done through the development of ‘micro-networking’, including the policy-making community (e.g. via Ministerial meetings, the summits, TFAP), the business community (e.g. AEBF, ASEMConnect), and the civil societal community (e.g. ASEM Youth Co-operation, culture-focused activities, NGO engagement) (2003: 230). Undoubtedly, the AEBF can be
regarded as a key focus of Dent’s business ‘micro-networking’, which links with policy-making ‘micro-networking’, for example EMM and SOMTI under the ASEM economic pillar. This indicates AEBF’s potentially crucial role as a process in which business and government alike can meet, discuss, exchange information and build mutual understanding.

And, it is on this development of ‘micro-networking’ ties that ‘macro-networking’ or ‘the long-term future of inter-regional partnership ultimately rests’ (Dent, 2003: 235). The importance of AEBF as a process of dialogue and networking, rather than a forum to produce tangible outcomes, seems to be affirmed when AEBF9 in Hanoi in October 2004 agreed to organise AEBF meeting every second year in parallel with ASEM Summit, instead of every year as it had been organised since 1996. This indicates a focus on the soft value of AEBF as a forum for dialogue and networking.

Secondly, while recognising the ‘soft’ value of AEBF, it is possible to conclude that AEBF can be seen as the EU’s attempt to create a ‘peak’ organisation to engage business at transregional level. Instead of aiming at producing tangible outcomes at the local level (bilaterally), this peak organisation aims at gathering both governments and businesses of the two regions (usually big businesses, and high-level policy-makers) in one forum, and at strategically engaging business into the ASEM economic and commercial framework.

Therefore, it is not surprising when the ASEM process and AEBF is normally coordinated by the European Commission’s headquarters in Brussels, but not the European Commission Delegation on the ground. The Delegation has less concern about the AEBF, or even the ASEM activities (See chapter 6, Section 6.5). Moreover, evidence also suggested that a number of key policy-areas discussed in the AEBF (illustrated through the Working Group structure and the AEBF Recommendations) and main principles of TFAP and IPAP seem to have a closer link to the broad issues of multilateral framework, chiefly the WTO.

Finally, AEBF is seen as a significant EU ‘grand’ business engagement strategy to engage business in Asia, focusing not only ASEAN countries but also including the wider
context of Asia-Pacific region. This EU grand strategy represents an EU response to the changing global political economy mentioned in Chapter 1, including the structural changes, the increasing importance of non-state actors and firms, in general, and the growing market in Asia and a significant shift towards a greater participation of EU based non-state actors and firms in the EU-Asian regions, in particular. The creation of AEBF not only reflected the EU strategy responding to business driving forces and globalisation process, in which both states and firms mutually interact, but also aimed to bridge the missing link in the Triad world economy. This chapter provides evidence that the ASEM and AEBF is crucial for the EU in terms of supporting its leading position in the global political economy, particularly in balancing power in the Triad world economy. If one views AEBF in terms of its strategic importance, the AEBF’s tangible achievements seem rather marginal, especially compared to transpacific and transatlantic linkages, in which the business-government linkages are stronger. Nonetheless, if one views AEBF from its importance as a process of networking, AEBF has a long-term potential for gradually building government-business partnership between Europe and Asia.

In this sense, it can be argued that through the creation of AEBF and its close integration as part of the EU’s commercial diplomacy, the EU has made an ambitious attempt to set a framework to pursue positive and proactive roles in relations to states and firms – comparable to those of a ‘competition’, ‘catalytic’, and ‘cooperation’ state – as a means to enhance economic relations between the EU and Asia, as well as to support its position in the global political economy – but that it has achieved very limited success.
Chapter 5
The EU and ASEAN

5.1 INTRODUCTION
While the previous chapter examined the EU’s commercial and business engagement at transregional level through the investigation of the ASEM economic process and particularly the AEBF, this chapter is devoted to the exploration of the EU’s commercial and business engagement strategies at interregional level: EU-ASEAN relations. At the transregional level, AEBF can be seen as the focus of EU business engagement adopted as part of the broad ASEM economic framework; however, at the interregional level represented by EU-ASEAN relations, the EU’s attention and focus for the engagement of business seems to be rather different.

This chapter starts by outlining the general features of EU-ASEAN commercial relations and examining the evolution and institutionalisation of EU-ASEAN relations, with particular focus on the development of the EU-ASEAN economic and commercial framework from the mid-1990s. Particular attention will be paid to the new attempt of the EU, especially the Commission, in 2003 to revitalise EU-ASEAN relations, especially by initiating a ‘New Partnership with South East Asia’ (Commission, 2003a) as a new strategy and Trans-Regional EU-ASEAN Trade Initiative (TREATI) as a new trade action plan for ASEAN. The motives, priorities, and substance of this New ASEAN Strategy and TREATI will be discussed in order to illustrate the EU’s intentions in adopting these new interregional instruments, and then to explore the ways in which the strategy aims to engage business more closely with the EU-ASEAN commercial framework. Unlike the EU formal business engagement strategy at transregional level through the creation of AEBF as an institutionalised business body under the ASEM economic pillar, at interregional level, EU-ASEAN relations do not appear to
formally engage business within its intergovernmental framework. Rather, the EU has initiated indirect mechanisms: economic co-operation programmes and projects.

In its second part, the chapter thus explores the increasing importance of EU economic co-operation programmes, as alternative ‘soft’ commercial instruments to engage business in Asia and ASEAN in the late 1990s. Key examples of economic co-operation programmes aimed at engaging business are the European Business Information Centre (EBIC) and Asia-Invest Programme, the programmes of which ASEAN has been one of the beneficiaries. The chapter then evaluates the impact of these programmes in producing concrete outcomes to promote EU-ASEAN trade and investment relations. Finally, the chapter concludes by analysing the implications of the situation for the EU’s commercial and business engagement within the EU-ASEAN relations; this then helps illustrate distinct instruments used, strategies developed, stakeholders engaged, and roles played by the EU at this interregional level, which are distinct from those identified at the transregional level.

5.2 EU-ASEAN ‘INTERREGIONAL’ RELATIONS

An interregional relationship between the EU and ASEAN was informally established during the 1970s and officially started with the EC-ASEAN Cooperation Agreement signed in 1980; it emerged as part of ‘old’ trends in regionalism or what Rüland calls ‘bilateral interregionalism’ (2001a: 5) which can traced back to the 1970s. As already argued in Chapters 2-3, the EU has placed considerable weight on interregional cooperation or group-to-group arrangements (Edwards and Regelsberger, 1990), which ‘have entered a remarkable period of growth since the early 1980s (Regelsberger, 1990: 5). The creation of EU-ASEAN dialogue was undoubtedly seen as a product of this interregionalism trend.

Against this background, the section examines EU-ASEAN interregional relations in more detail, including the recent emphasis on the EU-ASEAN commercial relations (trade

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81 This thesis refers to Rüland’s ‘bilateral interregionalism’ as ‘interregional’ relations.
82 For EU interregionalism trends, see Edwards and Regelsberger (1990), Aggarwal and Fogarty (2004), and Alecu de Flers and Regelsberger (2005) already discussed in Chapter 2 (Sections 2.3.2 and 2.3.3) and Chapter 3 (Section 3.3.2).
and investment), the development of the EU-ASEAN institutional structure, the political issues obstructing EU-ASEAN commercial relations during the 1990s and the more recent construction of a stronger economic and commercial framework in 1999-2000. More specifically, it explores the place of business engagement at this interregional level. It is also argued that a more flexible approach of the EU commercial strategy towards ASEAN can be observed.

5.2.1 EU-ASEAN Commercial Relations: Trade

Trade has been the strongest area of the EU-ASEAN interregional relationship. As Robles noted, ‘from the very start [1980s] the ASEAN and EC identified trade as an area where they could forge an interregional relationship’ (2004: 64) and ‘Europe is more vital as a region for ASEAN than South East Asia is for the EU’ (2004:66). According to Figure 5.1 and Table 5.1, in 2004, the EU’s trade with ASEAN as a whole region amounted to 111,846 billion Euros or accounted for 5.6% of total EU trade (6.71% of total EU imports and 4.44% of total EU exports). This can be seen as a rather limited amount, compared to US (19.7%), China (8.8%) and Japan (5.9%). (See also Table 4.2 in Chapter 4)

Figure 5.1: EU Trade with ASEAN (2004)

![Graph showing EU trade with ASEAN (2004)]

(European Commission, 2005e)
Table 5.1: EU Trade with ASEAN (2000-2004)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Yearly % change</th>
<th>Share of total EU imports</th>
<th>Exports</th>
<th>Yearly % change</th>
<th>Share of total EU exports</th>
<th>Balance</th>
<th>Imports + Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>75,197</td>
<td>-5.9</td>
<td>7.55</td>
<td>41,777</td>
<td>-4.9</td>
<td>4.88</td>
<td>-33,419</td>
<td>116,974</td>
</tr>
<tr>
<td>2001</td>
<td>70,791</td>
<td>-4.3</td>
<td>7.20</td>
<td>43,842</td>
<td>-7.6</td>
<td>4.91</td>
<td>-26,949</td>
<td>114,633</td>
</tr>
<tr>
<td>2004</td>
<td>69,098</td>
<td>5.1</td>
<td>6.71</td>
<td>42,748</td>
<td>8.9</td>
<td>4.44</td>
<td>-26,350</td>
<td>111,846</td>
</tr>
<tr>
<td>3m</td>
<td>16,958</td>
<td>-5.2</td>
<td>7.07</td>
<td>9,895</td>
<td>-0.3</td>
<td>4.25</td>
<td>-7,063</td>
<td>26,853</td>
</tr>
<tr>
<td>3m</td>
<td>16,084</td>
<td>-5.2</td>
<td>6.21</td>
<td>9,866</td>
<td>-0.3</td>
<td>4.25</td>
<td>-6,219</td>
<td>25,950</td>
</tr>
<tr>
<td>Average annual growth</td>
<td>-2.1</td>
<td>0.6</td>
<td>-1.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(European Commission, 2005e)

Products traded between the EU and ASEAN are, for example, agricultural products, energy, non-agricultural raw materials, office/telecommunication, power/non-electrical machinery, chemicals, textiles and clothing, iron and steel (See Figure 5.2). In 2004, machinery products accounted for 85.8% of total EU imports from ASEAN, while primary products (of which agricultural products and energy) accounted for 12.7%. EU exports to ASEAN are also dominated by machinery products (87.5%), while primary products accounted for 8.3% (See Tables 5.2 and 5.3). Moreover, as Cuyvers observed, 'the ASEAN countries are among those that are benefiting most from the EU's GSP (Generalised System of Preferences) scheme offered to developing countries'83 (1998:9); a further support for trade ties between the EU and ASEAN.

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83 Among the top seven GSP beneficiaries in 1995, four are ASEAN countries. However, the new GSP scheme was enacted in 1995 (for industrial and textile products) and in 1997 (for agricultural products) (Cuyvers, 1998:9). For example, Thailand is also a beneficiary of the EU's GSP, especially in respect of its agricultural and fishery exports to the EU. Thus, the case on graduation of Thai shrimp from the EU's GSP scheme in 1997 and in 1999 caused some difficulties for Thai exporters. See also Chapter 6, Section 6.2.1.
Figure 5.2: EU Trade with ASEAN by Product 2004

Table 5.2: EU Imports from ASEAN by Product (2004)

<table>
<thead>
<tr>
<th>Category</th>
<th>TOTAL</th>
<th>Imports</th>
<th>Exports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRIMARY PRODUCTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural prod.</td>
<td>8,502</td>
<td>11.3</td>
<td>8,504</td>
<td>12.6</td>
</tr>
<tr>
<td>Energy</td>
<td>7,078</td>
<td>9.4</td>
<td>6,624</td>
<td>9.8</td>
</tr>
<tr>
<td>MANUFACTURED PRODUCTS</td>
<td>60,504</td>
<td>80.5</td>
<td>58,801</td>
<td>86.8</td>
</tr>
<tr>
<td>Machinery</td>
<td>36,137</td>
<td>48.1</td>
<td>34,339</td>
<td>50.7</td>
</tr>
<tr>
<td>Transport equipm.</td>
<td>1,862</td>
<td>2.5</td>
<td>2,338</td>
<td>3.5</td>
</tr>
<tr>
<td>Automotive prod.</td>
<td>913</td>
<td>1.2</td>
<td>1,233</td>
<td>1.8</td>
</tr>
<tr>
<td>Chemicals</td>
<td>2,530</td>
<td>3.4</td>
<td>2,992</td>
<td>4.4</td>
</tr>
<tr>
<td>Textiles and cloth.</td>
<td>6,977</td>
<td>9.3</td>
<td>6,423</td>
<td>9.5</td>
</tr>
</tbody>
</table>

(European Commission, 2005e)
Table 5.3 EU Exports to ASEAN by Product (2004)

<table>
<thead>
<tr>
<th>Product Groups</th>
<th>2000</th>
<th>2002</th>
<th>2004</th>
<th>%</th>
<th>Share of total EU exports</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td>41,777</td>
<td>40,514</td>
<td>42,748</td>
<td>100.0</td>
<td>4.44</td>
</tr>
<tr>
<td><strong>Primary Products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural prod.</td>
<td>3,509</td>
<td>3,325</td>
<td>3,532</td>
<td>8.4</td>
<td>3.32</td>
</tr>
<tr>
<td>Energy</td>
<td>243</td>
<td>338</td>
<td>437</td>
<td>0.6</td>
<td>1.57</td>
</tr>
<tr>
<td><strong>Manuf. Products</strong></td>
<td>36,635</td>
<td>35,761</td>
<td>37,384</td>
<td>87.7</td>
<td>4.59</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td>20,965</td>
<td>19,265</td>
<td>19,555</td>
<td>50.2</td>
<td>7.07</td>
</tr>
<tr>
<td>Transport equipm</td>
<td>3,191</td>
<td>3,211</td>
<td>4,402</td>
<td>7.6</td>
<td>2.79</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive prod.</td>
<td>1,638</td>
<td>1,620</td>
<td>1,592</td>
<td>3.9</td>
<td>3.7</td>
</tr>
<tr>
<td>Chemicals</td>
<td>5,011</td>
<td>5,577</td>
<td>5,989</td>
<td>12.0</td>
<td>3.94</td>
</tr>
<tr>
<td>Textiles and cloth.</td>
<td>760</td>
<td>719</td>
<td>667</td>
<td>1.8</td>
<td>1.96</td>
</tr>
</tbody>
</table>

(European Commission, 2005e)

5.2.2 EU-ASEAN Commercial Relations: Investment

The EU's FDI towards ASEAN is a rather limited proportion of EU total FDI towards the world. Among the ASEM10, ASEAN only accounted for 0.511 billion Euros or 0.3% of EU total FDI, compared to 5.1% to North East Asia (See Figure 4.5 in Chapter 4). According to Figure 5.3, the recent EU FDI trend with ASEAN during 2001-2003 shows a declining trend.

Figure 5.3 EU FDI towards ASEAN (2001-2003/Billion Euros)
According to the European Commission (2005g), Singapore is by far the major recipient country of FDI from the EU with nearly half of the FDI. Malaysia, Indonesia and Thailand are in a second group, each receiving 10% to 13% of total EU investment in the region (see Figure 5.4). The EU is mainly investing in three sectors: financial services (including insurance) with a share of 44% of all EU inflows into the whole region during the period 1999-2001, manufacturing recording 19% of investments, and trade/commerce 14% (See Figure 5.5).

Figure 5.4: EU FDI towards ASEAN Country (1999-2001)

![Pie chart showing EU FDI towards ASEAN countries]

Note: Cumulative 1999-2001, balance of payment basis

(European Commission, 2005g: 16)

Figure 5.5: EU FDI towards ASEAN by Broad Sectors of Industry

![Pie chart showing EU FDI by sector]

Note: Cumulative 1999-2001, balance of payment basis

(European Commission, 2005g: 17)
5.2.3 EU-ASEAN Institutional Structure

ASEAN in fact established dialogue relations with the EC as early as 1977 and in 1978 the first ASEAN-EC Ministerial Meeting (AEMM) was held, elevating the dialogue to ministerial level. Since then, the AEMM has met regularly, about once every 18 months. It was not until 1980 that the Co-operation Agreement was signed. This 1980 EC-ASEAN Co-operation Agreement ‘puts an emphasis on commercial co-operation, granting most-favoured nation treatment to the parties on a reciprocal basis and setting out their commitment to overcome trade barriers; economic co-operation, encouraging closer links through investment and technological progress; and development co-operation, contributing to economic resilience and social well-being’ (European Commission, 2002d: 4). The 1980 Agreement also established a Joint Co-operation Committee (JCC) to co-ordinate and implement various co-operation activities (ASEAN Secretariat, 1997: 171). As seen in Diagram 5.1, the EU-ASEAN institutional structure comprises economic and political dialogues with a series of meetings between the EU and ASEAN sides from ministerial and senior official levels to informal working groups and ad hoc meetings.

At the apex of the political dialogue is the AEMM, where the foreign ministers of the EU and ASEAN meet to set the direction and pace of the dialogue and to review the political and security, economic and functional cooperation between the two sides. However the political problems in the ASEAN region, particularly the problems of human rights and democracy in Myanmar, meant that the AEMM came under pressure and stopped for some years. After AEMM12 in February 1997 and Myanmar’s accession to ASEAN, the AEMM scheduled in Berlin in 1999 was cancelled. The AEMM was reactivated and held again in 2000. However, AEMM13, which was held in Vientiane on 11-12 December 2000 with Myanmar present as an observer, did not lead to any positive outcome. Moreover, a Commission official emphasised that the AEMM14 in Brussels in January 2003 proved to be

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84 See details on political problems hindering EU-ASEAN relations in Section 5.2.4.
85 The April 2000 EU General Affairs Council approved an arrangement for the Burmese Foreign Minister to participate in the AEMM13. (European Commission, DG External Relations Website).
more successful as most EU and ASEAN foreign ministers participated (Interview, European Commission, DG External Relations (South East Asia Unit), 27 January 2004); and they agreed on ‘the need to further deepen the EU-ASEAN dialogue as a fundamental building block for the strategic partnership between Europe and Asia’ (Joint Co-Chairmen’s Statement, AEMM14, Paragraph 2). The most recent meeting was AEMM15 in Jakarta on 10 March 2005. Besides AEMM, since 1995 the ASEAN-EU Senior Officials Meeting (SOM) meets in years alternate to the AEMM. During AEMM11 in Karlsruhe, Germany in 1994, both sides agreed to the formation of an Eminent Persons Groups (EPG) that would recommend long-term directions for EU-ASEAN relations, and the EPG presented their report to AEMM in 199686 (European Commission, 1996c, Annex 8).

Additionally, under the political dialogue there can be observed the ASEAN Regional Forum (ARF) created in 1994 as the only security forum in Asia, and the Post Ministerial Conferences (PMC). In these two forums, the EU is one of the dialogue partners87 injected to discuss political and security issues with ASEAN. The ARF meets yearly at ministerial level and is an important occasion for interactions at high level with regional partners on major security issues such as tourism and regional issues such as North Korea and Myanmar. For example, in the recent ARF and PMC meetings in July 2005, Javier Solana, Secretary-General of the Council of the European Union and the High Representative for Common Foreign and Security Policy, attended and used these forums to express his concern on the issues of terrorism and security in Asia (International Herald Tribune, 29 July 2005). The PMC is usually organised after ASEAN Ministerial Meeting (AMM), comprising two meetings: ASEAN with each dialogue partner (including the EU) called ‘ASEAN10+1’ and ASEAN with all of its dialogue partners. In 2006, ASEAN has 11 dialogues partners (see footnote 87).

86 However, any further progress on the EPG activities has not recently been mentioned.
87 Dialogue partners are US, China, India, Japan, Russia, Australia, Korea, New Zealand, Canada, the United Nation Development Programme (UNDP) and the EU. The EU is represented by the Troika at these two meetings (European Commission, DG External Relations Website at http://europa.eu.int/comm/external_relations/asean/intro/arf.htm).

New Economic and Commercial Mechanism in 1999/2000 →

AEM-EU Trade Commissioner Consultations

SEOM-EU Consultations, to coordinate TREATI
Since 1999

SUB-COMMITTEES (once a year)

- Trade
- Economic & Industrial Co-Operation
- Science & Technology
- Forest
- Environment

JCC
ASEAN-EU Joint Co-operation Committee
Held every 18 months

Informal Working Groups
- IPR
- Environment
- Narcotics

SEOM-EU Consultations, to coordinate TREATI
Since 1999

AEMM
ASEAN-EU Ministerial Meeting
Held at alternate years
Since: 1978
Latest: AEMM15, 10 March 2005, Jakarta

SOM
ASEAN-EU Senior Officials Meeting
Held on years alternate to AEMM
Since 1995

EPG
Eminent Persons Group
Report presented in June 1996

EC-ABC
Ad hoc meetings between the ASEAN Brussels Committee (ABC) and the Commission

Source: European Commission (1996c: ANNEX8), adapted and updated by the author after consultation with DG External Relations official, 3 December 2004
As for economic dialogue, the JCC, which meets every 18 months, deals with activities under the EC-ASEAN Co-operation Agreement. The functioning of the JCC was also blocked for a time following Myanmar's accession to ASEAN in 1997, and its meeting scheduled for Bangkok in November 1997 was cancelled, for the first time in the history of EU-ASEAN relations. After a lapse of more than three years, the JCC13 meeting was held again in Bangkok on 24-27 May 1999 (ASEN Annual Report 1999-2000), with Myanmar attending only as a 'passive presence' that 'cannot participate in EC-ASEAN co-operation actions' (European Commission, DG External Relations Website at http://europa.eu.int/comm/external_relations/) (See also Chapter 3).

The work of the JCC is supported by a wide range of Sub-Committees at a technical level on Trade, Economic and Industrial Co-operation, Science and Technology, Forestry and Environment and by informal working groups on Intellectual Property and Environment, and Narcotics. The JCC and particularly its Sub-Committees on Trade and Economic and Industrial Co-operation had been the major driving mechanism for the EU-ASEAN economic relations until 1999-2000 when the EU-ASEAN institutional framework was deepened (as will be discussed in Section 5.2.5, see also Diagram 5.1). However, it is important to note that there had been no formal EU-ASEAN Economic Ministers meeting until 2000, when the ASEAN Economics Ministers and the EU Trade Commissioner Consultation meeting was created. Before that the Economic Ministers from the two sides met on two occasions; once at the Special Meeting of Ministers of Economic Affairs from the EC and ASEAN in 1995 in Bangkok, and on another occasion during AEMM9 in Luxembourg in 1991 (ASEAN Secretariat Website at www.aseansec.org).

In addition, other ad hoc meetings, including the ASEAN-Brussels Committee (ABC), ASEAN-Bonn Committee, ASEAN-London Committee and ASEAN-Paris Committee, also assist and maintain the dialogue between EU and ASEAN. An official at one of the ASEAN
Embassies in Brussels emphasised an important role of the ABC: ‘it is an active network of ASEAN diplomats based in Brussels which meet regularly to discuss the ASEAN’s position towards the EU, and discuss the current EU-ASEAN issues with the Commission’ (Interview, an ASEAN Member Government Official, Brussels, 28 January 2004).

5.2.4 Political Issues Hindering the EU-ASEAN Relations

When evaluating EU-ASEAN relations, it is crucial to note that political issues, particularly human rights and democracy problems in South East Asia, have long been involved as major conditioning factors and sometimes as obstacles to further developing economic and commercial relations between the two regions. Particularly from the beginning of the 1990s, as Forster observed, the transformation of the EC into the EU brought with it a new set of economic and political agendas for EU-ASEAN relations, i.e., the defence of ‘European values’, including human and fundamental rights, democracy and environmental issues, on which ‘fundamental disagreements were inevitably going to exist’ (1999: 750). In this context, there has also been seen the growing influence of the European Parliament in pressing this new agenda and the Council in passing resolutions on human rights and development, democracy and a wide range of other non-economic issues. Therefore, ‘under this pressure the European Commission has felt obliged to embrace conditionality as a key feature of a new phase in EU-ASEAN relations. In general, the European Commission has been more hesitant, though its position is constrained by bureaucratic in-fighting’ (Forster, 1999: 750). Research conducted by the author also suggests that the European Commission seemed to be less interested in the human rights and democracy

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88 Economically [the EU] introduced the concept of ‘fair trade’, including the need to protect international copyright, and to raise social legislation and workers’ employment conditions from low existing levels to European standards before trade could take place on equal terms. Politically, the EU committed itself to contributing to the development of the consolidation of democracy, the rule of law and respect for human rights (Forster, 1999: 750).

89 For example, as Forster added, while the Human Rights Directorate is supportive of the European Parliament (EP)’s commissioning of reports from the EP-sponsored Institute for Europe-Asia Studies, “the “area” directorate generals remain dominant and less keen” (1999: 751, note 34).

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issues, which is pushed forward by the European Parliament and the Council. A DG External Relations official even expressed the view that ‘due to the EU’s political agenda, especially the Common Position adopted by the Council to sanction relations with Burma/Myanmar, the European Commission cannot push forward its economic relations with South East Asia as a whole’ (Interview, European Commission, DG External Relation (South-East Asia Unit), Brussels, 27 January 2004). Moreover, these new EU priorities in defending ‘European values’, including human and fundamental rights, democracy and environmental issues were also perceived by ASEAN as divisive and controversial, and highlighted the different value agendas of the two regional organisations. A Crucial example was when political issues in the South East Asian region and constraints within the EU’s decision making process finally led to a failure of implementing the Commission’ first ASEAN strategy adopted in 1996, then to a frozen EU-ASEAN relations in the late-1990s.

First ASEAN Strategy in 1996 and its Failure

In July 1996, the European Commission announced the Communication called ‘Creating a New Dynamic in EU-ASEAN Relations’ (European Commission, 1996c) which is regarded as ‘the first European Commission strategy paper towards ASEAN’ (Interview, European Commission, DG External Relations (South East Asia Unit), Brussels, 27 January 2004). Pelkmans observed that this paper is in fact ‘a belated, public follow-up of the 1991 AEMM decision to conclude a new Co-operation Agreement’ and ‘a proposal [from the Commission] to the Council and the European Parliament to support an ‘Asian’ informal, and voluntarist approach by the Union…to infuse EU-ASEAN co-operation with more substance’ (1997: 52).

90 For ASEAN, economic and commercial interests have long been their focus in EU-ASEAN relations. As Robles noted, ‘ASEAN countries tended to believe that relations with a regional organisation in Europe offered opportunities to induce European firms to consider Southeast Asia as a profitable region for investment, as compared to the ACP or Latin America’ (2004: 100).
This strategy seems to show a rather belated concern of the EU for ASEAN and the South East Asian region as it was the first strategy formally adopted by the European Commission since the EU-ASEAN interregional dialogue had started in the 1980s. It was evidently adopted as part of the EU’s ‘Look East’ policy and the Commission’s first Asian strategy in 1994 discussed earlier (in Chapter 3), which gave a particular focus to the EU’s economic and commercial interests in the Asian region. Particularly, in response to ASEAN’s decision in 1992 to create AFTA, the European Commission explicitly stressed the increasing importance of ASEAN as an economic actor and its role in an expanded EU presence in Asia: ‘given ASEAN’s key role, the Commission feels that the launching of a new dynamic in our relations with ASEAN can make a considerable contribution to the strengthening of the European presence in Asia’ (1996c: 4). In order to initiate this ‘new dynamic’ the Commission proposed to adopt a new Co-operation Agreement to replace the old EC-ASEAN Agreement signed in 1980, emphasising that:

‘Relations between ASEAN and the Community have changed radically since the signing of the 1980 Agreement. In 1980 our relations were conducted on a donor-recipient basic. Today we have a relationship which is characterised by balanced trade, the development of investment and greater economic co-operation. The scope and objectives of our 1980 agreement are limited’ (1996: 8).

However, this European Commission attempt to revise EU-ASEAN economic and commercial relations by concluding a new Co-operation Agreement with ASEAN proved unsuccessful due to political objections. As Pelkmans noted, ‘this decision was never implemented because the East Timor issue led Portugal to veto a negotiation mandate from the Council to the Commission’ (1997: 52). Forster in similar vein added that ‘though there was willingness on both sides to expand the Agreement into cooperation, and consensus was reached on the technical details … The human rights abuses in East Timor and a massacre there in November 1991 further soured the relationship, Portugal (bolstered by the European Parliament) led EU opposition to renewing the 1980 Agreement’ (1999: 751).
The human rights problems obstructing the further development of EU-ASEAN relations were also noted in the Opinion of the Economic and Social Committee that ‘...inadequate respect for human rights and the still unresolved problem of East Timor have been instrumental in preventing the EU from reaching the new and wider third-generation agreements which it would like’ (Economic and Social Committee, 1997, Paragraph 8). Moreover, the European Parliament still ‘emphasises the importance of respect for human rights ... further, wishes to extend human rights conditionality to all ASEAN/EU agreements and to do so in a negotiated manner which pays due respect to different value systems and traditions’ (1997, Paragraph 16).

This unsuccessful attempt by the Commission to initiate a new Co-operation Agreement with ASEAN and thus the failure of the 1996 ASEAN strategy indicates the limits of the European Commission’s commercial autonomy within the EU’s complex decision-making process (discussed in Chapter 2): although the Commission attempted to develop further relationships with ASEAN as proposed in its 1996 ASEAN strategy paper, in practice the Member States through the Council could object to giving a negotiation mandate to the Commission and the European Parliament also had some influence. A Commission official also accepted that ‘this strategy paper did not help much in fostering relations between EU-ASEAN nor proved to be paid much attention from both the EU and Asia sides, given financial crisis, the Myanmar problem and East Timor question’ (Interview, European Commission, DG External Relations (South East Asia), Brussels, 27 January 2004). Therefore, rather than strengthening the relations between EU and ASEAN, this first attempt at a revised ASEAN strategy was followed by a period of frozen relationships between the EU and ASEAN.

‘Frozen’ EU-ASEAN Relationships

The political issue which has most obstructed attempts to develop a closer relationship between the EU and ASEAN is Myanmar’s human rights and democracy problem, which finally led to a
‘freeze’ in relationships between the two regions during 1997-1999. As Dosch (1999: 15) noted, while the EU’s policy has been to apply economic sanctions on the Yangon government for its bad human rights record and the suppression of the Myanmar opposition and Myanmar’s ASEAN membership was strongly opposed by the EU, in 1997 ASEAN instead announced its initiative to admit Myanmar as a new member to the group. Palmujoki (1997: 273) saw this reaction as ASEAN wanting to demonstrate its independence on the international stage by carrying out a plan which was rejected by the entire Western world. This then resulted in ‘a major set-back for ASEAN-EU relations’ (Dosch, 1999: 15) and ‘soured the inter-regional relationship’, leading to the cancellation of meetings between the EU and ASEAN in the winter of 1997 (Forster, 1999: 752).

Moreover, Dosch observed that the controversy between the two groups over Yangon’s participation in the AEMM led to a ‘historical low in inter-regional relations’ when the AEMM scheduled for 30 March 1999 in Berlin was cancelled as well as an ASEAN-EU SOM two months earlier in Bangkok (1999: 15). Research by the author further revealed that while the 1999 AEMM was cancelled, the next AEMM13, which was held in Vientiane on 11-12 December 2000 with Myanmar present as an observer91, did not lead to any positive outcome. Rather the restricted attention of the EU side to this high-level EU-ASEAN ministerial meeting meant that ‘only a few Ministers from the EU participated’ (Interview, European Commission, DG External Relations, 27 January 2004). This low participation from the EU side resulted in dissatisfaction from a number of the ASEAN governments (Interview, an ASEAN Member Government Official, Brussels, 28 January 2003).

Notwithstanding this set-back, and the soured EU-ASEAN relationship during the late 1990s, the Council has maintained its political concern with the political problems in Myanmar.

91 The April 2000 EU General Affairs Council approved an arrangement for the Burmese Foreign Minister to participate in EU-ASEAN Ministerial Meetings. (European Commission, DG External Relations Website).
through a number of extensions of the EU’s Common Position on Burma/Myanmar (Council, 2002; Council, 2003). Recently, on 26 April 2004, the Council (2004) adopted a Common Position and a Regulation renewing sanctions against the military regime in Burma/Myanmar, extending measures that were due to expire on 29 April 2005 without either strengthening or weakening the effect of the sanctions. According to a Commission official, ‘the Common Position adopted by the Council on the political and human rights situation in Myanmar has a direct impact on further development of EU-ASEAN economic and commercial relations. The Commission cannot push forward further economic and commercial relations with ASEAN as a whole…Thus, a more flexible approach is needed’ (Interview, European Commission, DG External Relations (South East Asia Unit), 27 January 2004). This flexible approach is reflected in the Commission’s new ASEAN strategy adopted in 2003.

5.2.5 Deepening EU-ASEAN Institutionalisation: Towards A Stronger Economic and Commercial Framework

After some years of frozen relations between the EU and ASEAN, in 1999 there can be observed an initial signal from the EU aimed at revitalising EU-ASEAN economic and commercial relations, pushed forward by the Commission and particularly by DG Trade. Alongside the JCC (particularly the Sub-Committees on Trade, and Economic and Industrial Co-operation), two new mechanisms or two types of consultative meetings were initiated in 1999 and 2000 to strengthen economic and commercial relations between the two regions: the ASEAN Senior Economic Officials Meeting and EU Consultation (SEOM-EU Consultation) first met in October 1999 and ASEAN Economics Ministers and the EU Trade Commissioner Consultation (AEM-EU Trade Commissioner Consultation)\(^92\) first met in Chiang Mai, Thailand on 6 October 2000. This

\(^92\) The 2\(^{nd}\) AEM-EU Trade Commissioner Consultation in Hanoi, Vietnam, on 12 September 2001; the 3\(^{rd}\) in Luang Prabang, Lao PDR, on 4 April 2003; and recently the 4\(^{th}\) in Yogyakarta, Indonesia, 20 January 2004 (run back-to-back with informal ASEAN Economic Ministers Meeting (19-20 January 2004)).
indicated a major development and deepening of EU-ASEAN institutionalisation, and importantly the EU’s new ambition to construct stronger economic and commercial relations with ASEAN (See Diagram 5.1).

A DG Trade official emphasised the importance of these new mechanisms initiated by the DG Trade: “the SEOM-EU Consultation and the AEM-EU Trade Commissioner Consultation were created as new forums for the EU and ASEAN sides to discuss trade and related matters, emphasising NTBs; this thus helps to strengthen EU-ASEAN economic and commercial ties…while the SEOM-EU Consultation could provide a platform to discuss trade and related matters at the senior official level, the AEM-EU Commissioner Consultation provides a forum to negotiate such trade issues at a ministerial level” (Interview, European Commission, DG Trade, Brussels, 28 January 2004).

It is important to note that this deepening of the EU-ASEAN institutional structure was in fact a prelude to the EU’s new strategy for ASEAN officially announced by the Commission in July 2003. On 4 April 2003, at the 3rd AEM-EU Consultation in Luang Prabang, Lao PDR the EU announced its intention to issue a communication on a new strategy for EU relations with South East Asia. This included the announcement of the TREATI, which shows the EU’s renewed interest and a positive development towards strengthening economic cooperation between EU and ASEAN countries.

5.2.6 Business Involvement in the EU-ASEAN Institutional Structure

Considering the EU-ASEAN institutional structure and particularly the EU’s new attempt to build stronger economic and commercial relations in the late 1990s, it is important to note that unlike the ASEM institutional framework (in this case the AEBF and IPAP discussed in Chapter 4), there is no formal business involvement and there is no concrete interregional framework for

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93 This point will be discussed in more detail in Section 5.3 of this chapter.
promoting investment in the EU-ASEAN institutional structure. Rather, two major focuses of the EU-ASEAN economic and commercial ties are on first, trade and second, development and economic co-operation.

However, as for promoting investment between the two regions, Robles in fact observes that there were some early efforts by ASEAN in the 1980s to construct an ASEAN-EU interregional framework for firms or to include business into this interregional framework by turning to an informal group of EC development co-operation, known as INTERACT, for the purpose of attracting European investment through ASEAN Industrial Projects. INTERACT and the ASEAN Finance Cooperation (AFC) proposed in 1981 that a ‘Joint Committee for Regional and Interregional Investment Promotion’ be established [under the EU-ASEAN framework], but without success (2004: 101). In this respect, Robles comments that at the early stage of their relationship ‘...the EC itself did not seem to consider an interregional relationship as a mechanism for encouraging European firms to invest in South East Asia’ (2004: 101) and this seems to confirm that before the mid-1990s the EU, particularly the Commission, seemed to lack interest in the Asian markets and in developing a stronger economic and commercial framework with ASEAN. It was only after 1994 when the 1994 New Asia Strategy was adopted, and in 1996 that the EU formulated its first, but relatively late, attempt to promote investment between the EU and ASEAN.

Reflecting the Commission’s realisation that EU business has been lagging behind the US and Japan in rapidly growing Asian markets, the Commission adopted in 1996 its first Communication for ASEAN called ‘Creating a New Dynamic in EU-ASEAN Relations’ (1996c), following its overall New Asian Strategy in 1994. This strategy also saw the Commission for the first time expressing its interest in ASEAN as a ‘vast market for the future’ and [its] ‘certain anxiety about being shut out of the region by the dynamic action of other great economic powers’ (European Commission, 1996c: 10). In order to cope with this new dynamic in ASEAN, this
1996 ASEAN strategy aimed for 'an upsurge in trade and investment' by 'facilitating and liberalising trade' and 'facilitating investment' with ASEAN (European Commission 1996c: 13-16). Importantly, in order to facilitate trade and investment with ASEAN, the European Commission also for the first time emphasised private sector involvement in EU-ASEAN relations:

'Business should be given the possibility of playing a leading role within the proposed new dynamic. This applies to the identification of opportunities and the strategies to exploit them, to the creation of support structure as well as to initiatives to facilitate the transfer of technology and know-how by holding Industrialists' Round Tables and other industry-led co-operation meetings' (European Commission, 1996c: 16).

Pelkmans also observes that 'this [1996] strategy paper [reflects] the search for strong political impetus and effective business involvement, which seem to distinguish the EU-paper on ASEAN from past policy'. He added: 'appendix 6 of the Commission 1996 EU-ASEAN policy paper provides for trade policy reviews of the ASEAN countries. This is new. It may well be a prelude to engaging in market access discussions of the kind that the EU has long been conducting with Japan and, in different ways, with the United States. It is hoped that European business will provide a practical helping hand to make the reviews relevant and more suitable as a basis for talks' (1997: 56). This happened in the same line as the emergence of EU business engagement strategies in the mid-1990s (argued in Chapter 2, Section 2.4.1).

This Communication can thus be seen as the Commission's first attempt to incorporate business into the EU-ASEAN commercial framework. Following this Commission initiative, a number of EU-ASEAN economic co-operation programmes to engage business were created, for example, the EBIC, which will further discussed later in this chapter. However, implementation of this 1996 ASEAN strategy seemed to be overshadowed by the freeze in EU-ASEAN relations during 1997-1999 due to both the unexpected financial crisis in 1997 and unsolved political problems in South East Asia, particularly East Timor and Myanmar mentioned earlier.
Moreover, the Commission’s ‘New Partnership with South East Asia’, particularly the TREAT! adopted recently in 2003 also seems to emphasise only trade issues and more specifically the building of a foundation for a future free trade area between two regions. Therefore, the institutionalised framework for investment and business involvement in EU-ASEAN relations seems to be rather marginal, compared to that for trade which represents stronger co-operation between the EU and ASEAN. Next the chapter turns specifically to examine the Commission’s proposal for a ‘New Partnership with South East Asia’ and TREAT!, the EU’s intentions in adopting this new strategy towards ASEAN, and asks to what extent this strategy envisages an attempt to engage business closely into the EU commercial diplomacy at this interregional level.

5.3 THE NEW ASEAN STRATEGY: REVITALISING EU-ASEAN ECONOMIC AND COMMERCIAL RELATIONS

In July 2003, the Commission announced its Communication entitled ‘New Partnership with South East Asia’ as the centrepiece of a ‘new visibility strategy’ to ‘reinvigorate’ its long-established partnership with the ASEAN and South East Asian region (European Commission, 2003a: 4-5). In order to achieve its major aim ‘to revitalise the EU’s relations with ASEAN and the countries of South East Asia’ (2003a: 3), the Commission introduced a new ‘flexible approach’, which is seen as a crucial element of this New ASEAN Strategy. As the External Relations Commissioner 1999-2004, Chris Patten emphasised: ‘today’s Communication sets out a flexible strategy for deeper co-operation with individual countries within a regional framework’ (European Commission News, 2003). This message that the Commission recognised an opportunity to start negotiating bilateral Co-operation Agreements with individual ASEAN countries but within an interregional EU-ASEAN framework was significant, since past experience suggested that to adopt a new regional Co-operation Agreement (to replace the 1980
EC-ASEAN Co-operation Agreement which had already been outdated) would be rather difficult, due to political constraints and the Council’s Common Position on Myanmar. More importantly, the TREATI - a new regional trade action plan - was initiated by DG Trade and announced as part of this new EU strategy towards ASEAN in order to move forward its economic and commercial relations with ASEAN.

As for the ASEAN side, an appreciation for these new EU initiatives to strengthen EU-ASEAN economic and commercial relationships (Joint Press Release, JCC15, paragraph 4) can be observed. For example, a Thai policy-maker viewed the initiation of this New ASEAN Strategy positively, and the creation of TREATI as 'a step forward in EU-ASEAN relations' - 'a good signal from the EU that it wished to advance its commercial relations with the South East Asian region' (Interview, Thai Ministry of Commerce, Bangkok, 16 September 2003). The chapter will now examine the motives, priorities, and substance of this 2003 New ASEAN Strategy with the aim of establishing its relevance to EU business engagement objectives.

5.3.1 Motives and Driving Forces

It can be argued that economic and commercial motives were major driving forces behind the Commission’s intention to adopt the New ASEAN Strategy in order to revitalise its interregional relations with ASEAN, particularly since ASEAN was recovering from the economic crisis in 1997-1998 and the dynamics of the ASEAN economy seemed to have been restored. This is clear when the Commission stresses its concern in the strategy paper that: ‘economic imperatives for closer co-operation include the fact that South East Asia is set to become one of the most dynamic growth areas in the world economy’ (2003a: 3). The EU’s specific economic and commercial motives can be identified as follows:

The first motive behind this New ASEAN Strategy is to solve political problems obstructing further economic and commercial relations. The New ASEAN Strategy can be seen
as a sub-regional strategy, following the Commission’s 2001 updated Asian strategy (2001c). It also illustrates a strong intention of the Commission to overcome political problems, which have long hindered potential economic progress between two regions, and thus to move forward its economic relations with ASEAN as a region, notwithstanding the fact that the Council still holds its Common Position on political problems in Myanmar. It is important to note that in this strategy paper the Commission intentionally recognised Myanmar as one of the ASEAN members as well as including East Timor, which is not yet a member of ASEAN, in its definition of the South East Asian region (2003a: 5, footnote1). As again emphasised by the Commission in this strategy paper, ‘thirty years of official relations between Europe and the ASEAN have improved mutual awareness, but they have so far failed to realise the true potential of this relationship’ (2003a: 5). A DG External Relations official, in a similar vein, pointed out: ‘this new strategy aimed to improve the frozen EU-ASEAN relations, in which political problems have been obstructing further development of closer economic relations’ (Interview, European Commission, DG External Relations, Brussels, 27 January 2004). Therefore, it appears that the economic and commercial aim has been dominant.

The second motivation is responding to the trend towards Free Trade Agreements (FTAs). The rapid development of FTAs in other parts of the world since the late 1990s appears to have been one of the major forces driving the EU to adopt this new strategy, particularly the creation of TREATI. There can be observed not only ASEAN’s attempt to create an AFTA by 2008, but

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94 As Sen (2004: 2) noted, a vast majority of WTO members, who hitherto strictly adhered to a multilateral system of world trade, are now parties to one or more FTAs. This surge in FTAs, which started in the early 1990s, accelerated after 1995. Of the 250 FTAs notified to the GATT/WTO as of December 2002, about 130 were established after 1995. Among these FTAs, over 170 are currently in force, with the remaining expected to be operational soon. WTO estimates that by the end of 2005, about 300 FTAs will be in force all over the world if FTAs reportedly planned or already under negotiation are concluded by then.

95 At the 4th ASEAN Summit in Singapore in 1992, the Heads of Government of ASEAN member countries agreed on the idea of setting up the Common Effective Preferential Tariff (CEPT) Scheme for the AFTA, which requires that tariff rates levied on a wide range of products traded within the region be reduced to no more than five percent and that quantitative restrictions and other non-tariff barriers are to be eliminated. The AFTA was envisioned for 2008, starting in 1993 (ASEAN Secretariat, 1997: 47). Although originally scheduled to be realised by 2008, the target of a free trade area in ASEAN was continuously moved forward (ASEAN Secretariat, 2002).
also an increasing number of negotiations on FTAs between ASEAN (or ASEAN members) and other major countries, for example, the ASEAN-China FTA and the US-Singapore FTA. This increasing trend towards bilateral FTAs (defined as an FTA involving two economies/regions) in Asia, is argued by Sen, as ‘an alternative option to advance freer trade [in East Asia]...when the Asian financial crisis 1997-1998 had an impact on the ongoing trade and liberalisation efforts within ASEAN and APEC, and thus indirectly on the multilateral efforts within the WTO’ (2004: 3). He also adds that this option was initiated by Singapore, which started pursuing it as a major instrument of its commercial trade strategy through FTAs with its trading partners, for example, the Singapore-New Zealand FTA (signed in 2000, and came into effect in 2001), Singapore-Australia FTA (signed in 2003), Singapore-Japan (signed in 2002) and Singapore-European Free Trade Association (EFTA) (consisting of Switzerland, Iceland, Liechtenstein, and Norway) which was agreed in 2002 and came into force in 2003 (2004: 4). Moreover, as Van der Geest (2004) noted, ‘several other ASEAN countries initiated negotiations towards bilateral FTAs with other major players, most notably Thailand (with India) as well as Malaysia (with Japan and others)’. The US seems be to pursuing a similar strategy in the Asian region by agreeing the US-Singapore FTA (signed in 2002, came into force in 2004). A US-Thai FTA is also under negotiation, whilst Thailand has already signed an FTA framework agreement with Bahrain and India and is on the way to concluding similar bilateral deals with Japan and Australia.

The EU could not neglect this trend, and seemed to pay special attention to two major factors: first, the US forging closer economic ties with ASEAN/ASEAN members, particularly when the US-Singapore FTA was agreed in 2002 and second, China increasing its attention to ASEAN, and vice versa, with the result that an ASEAN-China FTA is expected by 2010. This tendency towards bilateral FTAs between ASEAN and the EU’s major economic competitors led the EU to realise that ‘most of Europe’s main economic partners and competitors are currently forging economic partnerships and alliances with the region and/or its individual members, which
could challenge EU interests in the region’ (European Commission, 2003a: 8). Therefore, the Commission stressed that:

‘The EU will have to play its part in this intense inter-weaving of economic ties with South East Asia. Its strategy should be both “offensive”, seeking to improve the EU’s position in this important market, and “defensive”, protecting its existing economic interests in the region’ (2003a: 8).

Not surprisingly, the EU’s economic and commercial interests in the Asian market are a major driving force. In responding to this world FTA trend, the TREATI was initiated as a crucial element of the 2003 New ASEAN Strategy with the EU’s expectation that ‘the TREATI could pave the way for a future preferential trading agreement’ (Joint Press Statement, the 3rd AEM-EU Consultation).

In addition, the initiation of TREATI can be seen as the EU’s response to Thailand and Singapore’s desires to pursue bilateral FTAs with the EU. For example, the Thai Prime Minister Thaksin Shinawatra twice requested the opening of negotiations on a bilateral FTA with the EU; first in 2002 during his official visit to Brussels with Mr. Romano Prodi, the President of European Commission 1999-2004, and second in 2003 with Mr. Pascal Lamy, Trade Commissioner 1999-2004 during his visit to Thailand in March 2003 (Interview, Thai Government official, Government House, Bangkok, 18 December 2003). However, the underlying thrust of the European Commission policy as expressed in this New ASEAN Strategy, particularly the TREATI, is that the EU still prefers to have a regional FTA with ASEAN by using a flexible approach and WTO-plus policy, rather than bilateral FTAs with different ASEAN countries (see detail on TREATI later).

Besides responding to the world FTA trend, the third reason motivating the EU in initiating this New ASEAN Strategy can be understood by taking into account the linkages between two levels of EU commercial engagement in Asia, EU-ASEAN relations and ASEM. It can be argued that the marginal achievements of the ASEM economic process during almost a
decade of its operation, particularly the low capability of AEBF, TFAP and IPAP in producing tangible outcomes to enhance trade and investment between Europe and Asia (discussed in Chapter 4), has also inspired the Commission in initiating its new interregional strategy towards ASEAN.

It is noticeable that, as with the ASEM’s key Action Plans, TFAP and IPAP, discussed in the previous case study, the TREATI is also seen by the Commission as a ‘trade action plan’ (2003a: 16), which aims ‘to expand trade and investment flows’ and ‘to [establish] an effective framework for dialogue and regulatory co-operation on trade facilitation, market access, and investment issues between the two regions’ (2003a: 3-4). Although they share a common aim of expanding trade and investment between the two regions, the EU has intended to use the EU-ASEAN framework as an instrument to produce more concrete outcomes, while leaving ASEM only for broader dialogue and networking between the two regions. As a DG Trade official emphasised: ‘the EU-ASEAN framework is expected to produce more concrete outcomes than the ASEM’ (Interview, European Commission, DG Trade, Brussels, 28 January 2004).

5.3.2 Priorities

In its Communication outlining the ‘New Partnership with South East Asia’, the Commission identified six strategic priorities of the EU’s relations with ASEAN:

a) Supporting regional stability and the fight against terrorism
b) Human Rights, democratic principles and good governance
c) Mainstreaming Justice and Home Affairs issues
d) Injecting a new dynamism into regional trade and investment relations
e) Continuing to support the development of less prosperous countries
f) Intensifying dialogue and co-operation in specific policy areas (2003a: 3).

Among these six strategic priorities, it is argued that point D, or the economic priority of ‘injecting a new dynamism into regional trade and investment relations’ seems to have attracted most attention from both the EU and ASEAN sides. This economic and commercial priority can
be seen as a follow up to the AEMM14 in Brussels on 27-28 January 2003\(^{96}\) (some months before the adoption of this strategy), when all EU and ASEAN Ministers\(^{97}\) agreed on ‘injecting new momentum into EU-ASEAN relations’ by emphasising that: ‘future ASEAN-EU co-operation should contribute to new dynamism in the trade relationship including expanding trade and investment flows, closer co-operation on trade facilitation, market access and investment issues, and to foster greater understanding and co-operation on issues of mutual interest in order to make progress in the multilateral trade negotiations’ (Joint Co-Chairmen’s Statement, AEMM14). This focus on improving EU-ASEAN economic and commercial relations, therefore, became a crucial part of the ‘New Partnership with South East Asia’ strategy.

5.3.3 Substance

While emphasising its economic and commercial driving forces and priorities, two noteworthy substantive proposals were offered by the Commission in this new EU strategy towards ASEAN: new bilateral Co-operation Agreements with individual ASEAN countries, and the TREATI. Both of them reflect a new ‘flexible approach’, which can be argued as the most significant mechanism of this New ASEAN Strategy.

**New Bilateral Co-operation Agreements with Individual ASEAN Countries: A Flexible Approach**

The first significant substantive proposal offered by the new strategy is the Commission declaration that ‘EU will offer new Bilateral Agreements to countries in the region’ (2003a: 4). This indicates the Commission’s intention to move forward its frozen relationship with ASEAN during the late 1990s by aiming to adopt new Bilateral Co-operation Agreements with individual

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\(^{96}\) As argued earlier, after some years of set back of the EU-ASEAN relationship due to political problems, the result of AEMM14 in January 2003 proved to be successful and paved the way for revitalising EU-ASEAN relations.

\(^{97}\) During this 14\(^{th}\) AEMM in Brussels, all Foreign Ministers of the EU and ASEAN sides, the European Commissioner for External Relations, the EU High Representative for CFSP and the ASEAN Secretary General joined the meeting. Moreover, Myanmar also had the Deputy Minister of Foreign Affairs attended this meeting (Joint Co-Chairmen’s Statement, AEMM14, Brussels, 27-28 January 2003)
ASEAN members. As a Commission official emphasised, ‘rather than amending the 1980 EC-ASEAN Co-operation Agreement, the Commission instead considers a possibility to adopt a new Bilateral Co-operation Agreement with different ASEAN countries in order to overcome political constraints obstructing closer co-operation between the two regions’. He also added: ‘while having to accept the Council’s Common Position on Myanmar, the Commission is unable to make any change, amend or go forward on the 1980 EU-ASEAN Co-operation Agreement’ (Interview, European Commission, DG External Relations (South East Asia Unit), Brussels, 27 January 2004). As Pierre Amilhat, Head of Unit for South East Asia, DG External Relations also emphasised to the European Parliament, ‘the EC/ASEAN agreement was by now obsolete, but Myanmar’s participation in ASEAN made it impossible, for the moment, to negotiate a new agreement; a “region to region” comprehensive and flexible dialogue mechanism, called the TREATI would therefore be proposed. In addition, Bilateral Agreements would be concluded with those wishing to pursue this option’ (European Parliament, 2003).

This flexible approach, and the option offered by the Commission to some ASEAN countries to start negotiating Bilateral Agreements with the EU, in turn illustrates the Commission’s ‘way out’ from its institutional tension with the Council, which tends to focus more on political problems in South East Asia, particularly the Myanmar problem. As the Commission explicitly noted, this new strategy with its more flexible approach could help ‘to avoid this particular [Myanmar] case stalling relations with the region as a whole’ (European Commission News, 2003). The Commission aims to use this flexible approach to push forward the EU’s economic and commercial relationship with ASEAN/or potential ASEAN members, who seem to be experiencing a dynamic recovery from the financial crisis, while also maintaining its support for the Council’s Common Position on the human rights situation in Myanmar. Nonetheless, the flexible approach is still pursued within the EU-ASEAN interregional framework.
In order to put into effect this flexible approach, the Commission provided a ‘menu’ of sectors from which both sides could choose, through informal consultation at ASEAN and/or bilateral level. This so-called ‘Menu for a Strengthened Dialogue with South East Asia’ appeared in Annex III of the Commission’s Communication (2003a: 32). The menu includes a number of areas in which both sides may decide to either initiate or intensify the level of their dialogue and co-operation. As the Commission noted, ‘informal consultations should allow partners to identify those sectors and determine the aims and format of their co-operation (regional and/or bilateral; exchange of information, regulatory co-operation and harmonization, technical and financial co-operation etc.)’ (2003a: 32). The Commission also emphasised that this flexible approach is designed ‘to ensure that both sides enter into dialogue and co-operation on subjects of true mutual interest’ (2003a: 20).

The areas of co-operation offered by the Commission in this strategy paper cover a greater range than that of the 1980s Co-operation Agreement, which only included ‘commercial and economic co-operation and development co-operation’ (EC-ASEAN Co-operation Agreement, Kuala Lumpur, 7 March 1980). In economic and trade issues, co-operation is possible in the following areas: Sanitary and Phyto-Sanitary (SPS), Regulatory Co-operation and Industrial Products, Customs, Investment, Competition, Electronic Commerce (Information Society), Services, Intellectual Property, Consumer Protection, Industrial Policy. Some new areas of co-operation are also added, such as justice and home affairs matters (for example, migration, combating organised crime), science and technology, higher education and culture, transport, energy, the environment, and information society (2003a: Annex 3, 30-48). This wide range of areas of co-operation is recognised by the Council as a sign of ‘more mature relations’ between the EU and South East Asia (2004, paragraph 10) or what the Commission calls ‘a modern policy-agreement’ (Interview, European Commission, DG External Relations, Brussels, 23 September 2005).
The ‘New Partnership with South East Asia’ Communication was finally approved (without debate) by the General Affairs & External Relations Council on 26 January 2004; the Council, however, strongly emphasised the importance of the political agenda, particularly in respect of human rights and democracy in South East Asia, stressing ‘the importance of the EU’s commitment to an integrated approach in its external relations with South East Asia, whereby trade and investment matters are inherently linked to issues of good governance, human rights, poverty reduction and the rule of law’\(^98\) (2004, Paragraph 8). This in a way reflects an internal tension within different institutions of the EU itself. While the Commission seems to put forward the need to strengthen economic and commercial ties between the EU and ASEAN, the Council is likely to have been more concerned with the political agenda, particularly in promoting human rights and democracy in the South East Asian region. In November 2004 the Council gave a mandate to the Commission to start negotiating Bilateral Co-operation with 6 ASEAN countries, except Burma/Myanmar\(^99\). The Commission seemed to be satisfied with this result (Interview, European Commission, DG External Relations, Brussels, 23 September 2005).

Thailand and Singapore are the first two ASEAN countries with which the Commission has started to prepare negotiations for Bilateral Co-operation Agreements. During the ASEM5 Summit in Hanoi, Negotiations for Partnership and Cooperation Agreements (PCAs) between the EU-Thailand and between the EU-Singapore were launched on 8 October 2004. Prime Minister Jean Claude Juncker, incoming President of the European Council, President Romano Prodi of the European Commission (at that time), and Prime Minister Thaksin Shinawatra of the Kingdom of Thailand, and Prime Minister Lee Hsien Loong of the Republic of Singapore confirmed their intent to launch official negotiations for the conclusion of bilateral Partnership and Co-operation Agreements.

\(^{98}\) Moreover, the Council also ‘recalls the inclusion of the “essential element” clause in the Union’s conclusion of co-operation agreements with Cambodia, Laos and Vietnam and calls upon the Commission to make full use of this clause in promoting co-operation in the field of human rights, as a complement to the dialogue on this matter as well as to ensure its inclusion in possible new agreements with countries in the region’ (Council, 2004, Paragraph 8).

\(^{99}\) Also except Cambodia, Lao, and Vietnam because these three countries already have Bilateral Co-operation Agreements with the EU.
Agreements between EU and Thailand and between EU and Singapore (European Commission News, 8 October 2004a). A Commission official noted in January 2004 that 'the Bilateral Agreements with Thailand and Singapore will be used as a model for other South East Asian countries'; however this is still an on-going negotiation process between the European Commission and Thai and Singaporean governments (Interview, European Commission, DG External Relations, Brussels, 27 January 2004). The most recent interview with a Commission official responsible for implementation of the New ASEAN Strategy in September 2005 suggested that the Bilateral Agreements with Thailand and Singapore are at the final stage of negotiation. After confirmation in March 2003, negotiations with Indonesia may be start soon, while Malaysia and Philippines have informally expressed their interest (Interview, European Commission, DG External Relations, Brussels, 23 September 2005). The EU-Thai Bilateral Agreement will be discussed in more detail in Chapter 6.

Trans-Regional EU-ASEAN Trade Initiative (TREATI)\textsuperscript{100}

The second, but equally important, substantive component of this new EU strategy towards ASEAN is the TREATI, adopted as part of the New ASEAN Strategy. The TREATI can be seen as a new mechanism pushed forward by the Commission, and especially by DG Trade – a real initiator and a manager of the TREATI – ‘to expand trade and investment flows and establish an effective framework for dialogue and regulatory co-operation on trade facilitation, market access, and investment issues between the two regions’ (European Commission, 2003a: 16). This creation of TREATI reflects DG Trade’s strong attempt to reinvigorate the EU-ASEAN economic and commercial relations on an interregional basis. As Pascal Lamy, the EU Trade Commissioner 1999-2004 emphasised while announcing the TREATI:

\textsuperscript{100} Although TREATI stands for 'Trans-Regional' EU-ASEAN Trade Initiative, it is argued that TREATI in fact falls within the EU-ASEAN interregional relations, with a flexible framework.
‘With today’s move we open a new chapter in EU-ASEAN trade relations... TREATI will thus enable the establishment of a closer economic relationship between two important trading regions, and thereby permit serious consideration to be given to a potential Free Trade Agreement following the successful outcome of the current WTO round of trade talks’ (European Commission News, 2003).

While responding to the trend towards FTAs in Asia and the rest of the world (mentioned in Section 5.3.1), a potential FTA between the EU and ASEAN seems to have motivated DG Trade’s initiation of TREATI in 2003. Although the Commission announced that ‘the TREATI could pave the way for a future preferential trading agreement’ (Joint Press Statement, 3rd AEM-EU Consultations), the Commission still stressed its preference to negotiate a FTA with ASEAN as a region, rather than bilateral FTAs with different ASEAN countries by noting that: ‘EU-ASEAN co-operation on trade issues should take place, where feasible, on a region-to-region basis’ (TREATI, 2003). Moreover, the Commission also set a major condition that ‘TREATI will thus permit serious consideration to be given to entering into a FTA following the successful outcome of the current round of multilateral trade negotiations,...based on the “WTO-plus” principle’ (2003a: 31).

This means, according to the Commission, ‘TREATI is not a FTA with ASEAN’; rather, as a DG Trade official responsible for TREATI pointed out, ‘TREATI only aims at building a ‘framework for co-operation’ between the EU and ASEAN, or ‘building working groups to overcome trade and investment barriers and harmonising standards between two regions, without committing to any change of legal framework’ (Interview, European Commission, DG Trade, Brussels, 28 January 2004). In other words, TREATI is seen by the Commission as ‘process of dialogue and co-operation’ which ‘[should] aim at informing partners about each other’s regulatory systems and eventually develop into an exercise of approximation and harmonisation’ (European Commission, 2003a: 16), thus representing ‘a pragmatic and concrete approach to facilitate trade and investment through regulatory co-operation’ (DG Trade, 2004). In addition, DG Trade also emphasised that ‘the TREATI aims in particular to tackle NTBs by building
understanding and co-operation among officials who work on the NTBs legislation, keeping both
sides informed and exchanging views in order to reduce existing and prevent new NTBs’
(Interview, European Commission, DG Trade, Brussels, 28 January 2004).

Although TREATI is obviously a regional trade action plan – not a formal treaty –
between the EU and ASEAN, substantial diversity within ASEAN, especially the various levels
of development and differing priorities within ASEAN, meant that the Commission had to create
a ‘flexible framework’ for TREATI (TREATI, 2003: 30), following the flexible approach of the
New ASEAN Strategy mentioned earlier. This flexible framework in TREATI is called ‘EU+X’
formula, which means that ‘...each South East Asian country would select from a comprehensive
menu of commonly defined and agreed activities, addressing different areas relating to trade and
investment facilitation – agricultural and industrial product standards, customs procedures,
intellectual property rights, services, etc., choosing to sign up for each one when they desire to do
so’ [and] ‘within this commonly-agreed framework, a specific activity could thus commence with
the involvement of two or more ASEAN countries, and gradually expand its membership,
towards the ultimate goal of having all countries participate on an equal basis’ (TREATI, 2003:
30). The use of the EU+X formula or generally a flexible framework within the TREATI implies
the use of bilateralism within an interregional framework. Though TREATI is seen as a regional
trade action plan, its implementation is done bilaterally between the EU and different ASEAN
countries. As noted in the TREATI, ‘each country should develop its own individual roadmap
under the regional framework, establishing plans to progress and participate in the various
activities within a certain timeframe’ (TREATI, 2003: 30).

The SEOM-EU Consultation – a senior official level meeting created since 1999 as a new
mechanism under the EU-ASEAN institutional framework – has been used as a platform to
negotiate and discuss TREATI matters between the Commission and ASEAN officials (economic
or commercial officials). The SEOM-EU in turn reports to the AEM-EU Trade Commissioner
meeting. Besides the on-going implementation of TREATI activities, recently at the AEM-EU Consultation meeting in April 2005 in Halong Bay, the EU and ASEAN sides agreed to set up a ‘Vision Group’, which is an initiative of Peter Mandelson, the EU trade Commissioner (since 2004), in order to study the possibility of creating FTA between the two regions. The Vision Group first met in Hanoi in July 2005 (Mission of Thailand to the European Communities, Brussels at www.thaieurope.net). However, given that progress at the WTO level seems to face some difficulties and is still unpredictable¹⁰¹, some major ASEAN countries, like Thailand and Singapore, view bilateral FTAs between the EU and their countries as a more desirable option.

5.3.4 EU-ASEAN Relations as ‘Intergovernmental’ Dialogue

The development of EU-ASEAN economic and commercial relations described in the earlier sections indicates that the EU-ASEAN institutional structure neither has a formal mechanism to engage firms nor aims to involve business sector into its economic and commercial framework. Unlike the ASEM economic framework into which a business body like the AEBF has been integrated, interregional EU-ASEAN relations remain ‘intergovernmental’ in nature. The reason is perhaps that the EU has already had AEBF as a mechanism to engage business at the transregional level, thus at the EU-ASEAN interregional level the EU does not see the same need.

In September 1994 the first EU-ASEAN Business Conference was held in Stuttgart, Germany (under the EU-ASEAN framework and back-to-back with the 11th AEMM (ASEAN Annual Report, 1994-1995), but it was the first and the last one. The continuity of the EU-ASEAN Business Conference was replaced with the first AEBF meeting in Paris in October 1996. This implies that the EU aimed to incorporate this EU-ASEAN business meeting into the broader framework of the AEBF and ASEM. This perhaps was simply to avoid overlap between

¹⁰¹ This is argued for the period after the failure of the Cancun WTO Round in September 2003, and before the start of the Hong Kong WTO Round in December 2005, where the Doha Development Agenda (DDA) will be renegotiated.
two regional frameworks in Asia. Again, in 1996 the EU expressed its concern to involve business in the EU-ASEAN framework through the 1996 ASEAN strategy (discussed earlier); however, as noted earlier this strategy was not successfully implemented due to the Myanmar problem and the economic crisis in Asia in 1997-1998, finally leading to the 'freezing' of EU-ASEAN relations during that period. In 2003, the New ASEAN Strategy and the TREATI were initiated in order to revitalise EU-ASEAN relations and more specifically to pave the way for a further FTA with ASEAN. This raises an interesting question: do this New ASEAN Strategy and the TREATI foresee more direct business involvement in the EU-ASEAN economic and commercial framework? The research conducted by the author provides evidence that instead of attempting to include business into the EU-ASEAN institutional framework, this new strategy and TREATI still focus on EU-ASEAN relations as an intergovernmental dialogue exclusively among diplomats and policy-makers.

Unlike the ASEM process, there is a notable lack of business driving forces behind the creation of TREATI, and the TREATI was in fact, as accepted by the Commission, 'a pure EU initiative' (Interview, European Commission, DG Trade, Brussels, 28 January 2004). Because it is an intergovernmental framework, TREATI is seen by the Commission as having 'more capacity [than ASEM] to produce more concrete outcomes in enhancing trade and investment ties between the EU and ASEAN'. In addition, the Commission strongly emphasised that 'ASEM and EU-ASEAN relations are different frameworks: while the ASEM is seen as a dialogue for meeting and networking among leaders, the EU-ASEAN framework is aimed at producing more tangible outcomes' (Interview, European Commission, DG Trade, Brussels, 28 January 2004).

Last but not least, it is important to note that the implementation of TREATI is still at its initial stage\textsuperscript{102}; thus it logically focuses mainly on the diplomatic and policy-making level of

\textsuperscript{102} In January 2004, the TRTATI Roadmap for the implementation and its work plan for 2004 were adopted at the 4th AEM-EU Consultation in Yogyakarta, Indonesia.
interaction between the Commission and ASEAN government officials. As a DG Trade official confirmed, ‘at this early stage the TREATI does not aim to involve or engage any business in the formal and institutionalised way…rather the TREATI only aims to strengthen the existing government-to-government dialogue between the EU and ASEAN both regionally and bilaterally by building the bilateral framework for co-operations which then could lead to stronger regional co-operation between EU-ASEAN in the future’ (Interview, DG Trade, European Commission, Brussels, 28 January 2004). At the same time, the Commission also tried to introduce the TREATI to business on the ground by organising the TREATI workshop on ‘TREATI: What it means for business?’ in March 2004, in Bangkok. This however was primarily an information event as opposed to an attempt to engage business directly.

To conclude the argument so far, the exploration of the EU-ASEAN interregional relations in the earlier sections has suggested that at this early stage the New ASEAN strategy and the TREATI (adopted in 2003) do not yet appear to engage business within the intergovernmental framework. The next section of the chapter aims to explore further whether the EU has initiated different mechanisms/tools to engage business at the interregional level. Economic co-operation programmes can be seen as another form of EU indirect business engagement strategy towards ASEAN.

5.4 THE EU’S ECONOMIC CO-OPERATION PROGRAMMES AND BUSINESS ENGAGEMENT

While the previous section has shown that EU-ASEAN relations remain intergovernmental in nature and that the EU has not yet aimed to engage business directly into the institutional framework of EU-ASEAN relations, this section argues that the EU has one rather distinctive strategy to engage business in Asia: through economic co-operation programmes. It is important to note that these economic co-operation programmes are not only specifically for ASEAN, but
also include the wider context of Asia (including for example, China and South Asia), of which ASEAN is one of the main beneficiaries. Nonetheless, the use of economic co-operation programmes as commercial tools can be recognised as a significant element of the EU’s commercial strategy towards ASEAN at the interregional level since the mid-1990s until recently.

In this section, the chapter first explores the increasing importance of economic co-operation programmes as commercial instruments and business engagement in Asia since the mid-1990s, and investigates different types of EU economic co-operation programmes towards Asia, including the Asia-wide programmes, the multi-country programmes, and particularly the EU-ASEAN interregional programmes. Two economic co-operation programmes aiming to engage business, EBIC initially adopted for ASEAN and then expanded to other Asian countries, and Asia-Invest Programme under the Asia-wide programmes in which ASEAN is one of the beneficiaries, will be investigated in detail.

5.4.1 Increasing Importance of Economic Co-operation Programmes as Commercial Instruments and Business Engagement in Asia and ASEAN

Since the mid-1990s, the EU’s use of economic-co-operation programmes as commercial instruments to promote trade and investment and particularly to engage business has increasingly been evident as part of EU commercial diplomacy and market access strategy. As already mentioned in Chapter 2 (Section, 2.4.4.), it is impossible to understand the overall picture of the EU’s commercial strategy (particularly towards emerging markets, such as Asia and Latin America) without taking into account aid and development assistance offered by the EU. This implies an increasing importance of the EuropeAid Co-operation Office – one department of the European Commission – in managing the EU’s commercial diplomacy alongside DG Trade and DG External Relations. In the case of Asia, an official from the EuropeAid Co-operation Office
emphasised, ‘rather than focusing only on giving aid and development assistance, managing the use of economic co-operation programmes in facilitating trade and investment to Asia has also become one of our major tasks’ and ‘the EuropeAid Co-operation Office has played an increasingly important role in supporting economic and commercial relations between the EU and Asia’ (Interview, European Commission, EuropeAid Co-operation Office, Brussels, 13 June 2003). A DG Trade official also agreed that ‘apart from the EU’s trade policy managed by DG Trade, co-operation programmes have become more important as the EU’s commercial instruments towards Asia’ (Interview, European Commission, DG Trade, Brussels, 13 June 2003).

When considering particularly the case of ASEAN, the EU’s co-operation programmes towards ASEAN were not initially aimed to serve economic objectives; however the situation started to change during the 1990s. The evolution of EU’s financial assistance towards ASEAN 1976-1995 shown in Table 5.4 indicates the increasing importance of EU’s economic co-operation programmes towards ASEAN during the 1990s, compared to their non-existence in the 1970-1980s (when only development co-operation programmes existed). Since its inception in the late-1980s, economic co-operation towards ASEAN accounted for 33.79 million Euros, representing 34.99% of the total EU financial assistance toward ASEAN in 1988-1991, and accounted for 112.96 million Euros, representing 24.5% of the total 460.91 million Euros for the period 1992-1995 (Commission, 1996c, Annex 7: 8). This represents a significant increase of EU assistance towards ASEAN in the 1990s.
Table 5.4: Evolution of EU Financial Assistance Evolution toward ASEAN (Million Euros)

<table>
<thead>
<tr>
<th>Period</th>
<th>Economic Co-operation</th>
<th>Development Co-operation</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-1979</td>
<td>32.24</td>
<td></td>
<td></td>
<td>32.24</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>1980-1983</td>
<td>135.61</td>
<td></td>
<td></td>
<td>135.61</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>1984-1987</td>
<td>9.94</td>
<td>139.90</td>
<td>1.00</td>
<td>150.83</td>
</tr>
<tr>
<td></td>
<td>6.59%</td>
<td>92.75%</td>
<td>0.66%</td>
<td>100%</td>
</tr>
<tr>
<td>1988-1991</td>
<td>33.79</td>
<td>161.54</td>
<td>30.08</td>
<td>225.41</td>
</tr>
<tr>
<td></td>
<td>34.99%</td>
<td>71.66%</td>
<td>13.36%</td>
<td>100%</td>
</tr>
<tr>
<td>1992-1995</td>
<td>112.96</td>
<td>330.28</td>
<td>17.67</td>
<td>460.91</td>
</tr>
<tr>
<td></td>
<td>24.51%</td>
<td>71.66%</td>
<td>3.83%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: European Commission 1996c, Annex 7: 8

Moreover, the Commission explicitly expressed its concern in the 1996 ASEAN strategy that: ‘to take account of the extremely dynamic evolution of the ASEAN countries, our co-operation programmes have been geared towards an increased economic content and the focusing of development schemes on disadvantaged areas and populations’ (1996c: 16). This 1996 strategy established, for the first time, the use of EU aid and development co-operation as a means to promote trade and investment between the EU and ASEAN. Robles also makes a similar observation: ‘with the progress of industrialisation in South East Asia, ASEAN began to be perceived by actors in the EU – firms, states, and the EU itself – less as a developing region and more as a part of an East Asia region competing with Europe’ (2004: 66). This new EU perception changed the nature of EU’s financial assistance towards ASEAN during the late-1990s to a more economic and commercial-oriented focus, with an emphasis on economic co-operation projects which promote trade and investment between two regions, rather than pure aid and development co-operation.

Since then the use of economic co-operation programmes as commercial instruments to facilitate trade and promote investment as well as to engage business has become a feature of EU’s commercial strategy towards ASEAN, as well as the broader context of Asia. However,
following what Robles argued earlier – that, ASEAN is seen less as a developing region but more as part of an East Asia region – it is not surprising that ASEAN has often been engaged as part of the broader context of Asia while implementing this commercial strategy.

The wide range of EU co-operation programmes towards Asia can be observed\textsuperscript{103}, including beneficiaries from not only ASEAN, but also from a regional grouping in South Asia (or SAAR) and China. According to its ‘Strategy Paper and Indicative Programme for Multi-Country Programmes in Asia 2005-2006’, the Commission (2004a) divided its co-operation programmes towards Asia into three broad categories: Asia-wide programmes, sub-regional programmes for ASEAN and SAARC, and multi-country programmes corresponding to specific needs (for example, ASEM programmes). First, the chapter explores Asia-wide programmes and other multi-country programmes, in which ASEAN is one of many beneficiaries; secondly, it turns to explore EU co-operation programmes towards ASEAN in particular.

\textit{Asia-Wide Programmes and Other Multi-Country Programmes}

Apart from the particular programmes towards ASEAN through the EU-ASEAN interregional framework, ASEAN countries also benefit from the Asia-wide programmes and other multi-country programmes offered by the EU, through the ASEM framework. For instance, the ASEM Trust Fund II 2002-2005 aims to contribute and consolidate the process of economic and social reform in Asian countries affected by the Asian financial crisis of 1997; China, Indonesia, Vietnam Philippines, Thailand are among the beneficiaries. For the Asia-wide programmes\textsuperscript{104}, ASEAN is one of the main beneficiaries among other eligible Asian countries\textsuperscript{105}. As the

\textsuperscript{103} See Annex 5.1, page 337 for a list of EU co-operation programmes towards Asia, including the beneficiaries, the amount of budget given by the EU, the operation period, and objectives.

\textsuperscript{104} The EC has launched since the mid-1990s a series of Asia-wide horizontal programmes. Some of these programmes are now entering in their second phase, whereas others have just started (European Commission, 2004a: 14).

\textsuperscript{105} Asia-wide programmes cover in principle all Asian countries, which are eligible under the ALA Regulation: Afghanistan, Bangladesh, Bhutan, Myanmar, Cambodia, China, East Timor, India, Indonesia, Laos, Malaysia, Maldives, Mongolia, Nepal, North Korea, Pakistan, Philippines, Sri Lanka,
Commission emphasised in its 2003 ASEAN Strategy, among currently five types of Asia-wide regional programme being run, ASEAN and South East Asian countries benefit from these programmes as follows:

(i) **Asia-Invest**: Business Co-operation. From its inception in 1997 until 2002 [Asia Invest Phase I], 38% of activities implemented under the Asia-Invest Programme involved South East Asia, representing a commitment 7.05 million Euros.

(ii) **Asia IT&C**: Co-operation in Information Technology and Communication. South East Asian organisations have participated in 62% of the projects since 1999, representing an EC commitment of 14 million Euros.

(iii) **Asia Urbs**: Co-operation in Urban Development. 15 million Euros has been committed to projects involving South East Asian countries, which represents 67% of the total allotted to Asia.

(iv) **Asia-Link**: Co-operation in Higher Education. South East Asia is by far the largest sub-region in Asia in terms of submitted proposals and implemented projects, to which 6.7 million Euros has been committed.

(v) **EU-Asia Pro Eco**: Co-operation in Environmental Issues. These projects cover areas such as sustainable agriculture and forestry management. This programme was launched in October 2002, and five South East Asian countries are involved in the first 10 projects that have been selected (European Commission, 2003a: fiche1).

While not aiming to explore each of the above programmes in detail, the chapter argues that among the Asia-wide programmes, the Asia-Invest programme can be seen as representing a significant commercial and business engagement instrument 'to facilitate partnerships between European and Asian companies, and to promote capacity building for Asian companies and business associations in order to attract new trade and investment' (Commission, 2004a, Annex 2-4). However, while ASEAN is one of the main beneficiaries alongside other eligible Asian countries, including China, the question raised here is: to what extent does ASEAN actually benefit from this Asia-wide programme in promoting the EU-ASEAN economic and commercial relations? The Asia-Invest Programme will be evaluated in Section 5.4.3.
Economic Co-operation Programmes towards ASEAN

Besides the Asia-wide programmes and the multi-country programmes (for example, in the ASEM framework), the EU also provides specific co-operation programmes for ASEAN. The Commission (2004a: 15-16) stressed that there are a significant number of programmes undertaken with ASEAN under the EC-ASEAN Co-operation Agreement for a total financing commitment of some 75 million Euros. Projects include interventions on: Trade (Standards, Quality and Conformity Assessment, Intellectual Property Rights), Energy, Environment (Centre for Biodiversity Conservation), Capacity building (APRIS support for regional integration) and Higher education (ASEAN-EU University Network Programme) (See a list of EU Co-operation Programmes toward Asia/ASEAN in Annex 5.1, page 337).

Among these programmes/projects, the ‘ASEAN-EU Regional Cooperation on Standards, Quality and Conformity Assessment Programme’ and ‘ASEAN-EC Intellectual Property Rights Cooperation Programme’, aiming to bring it into line with EU practices and international standards and to upgrade the ASEAN Intellectual Property system, respectively, can be seen as substantial commercial instruments of the EU in facilitating trade and supporting both EU and Asian businesses. For example, in the area of Intellectual Property, the ‘EC-ASEAN Patents and Trademarks Programme (ECAP I)’ (from September 1993 to June 1997) was created to assist ASEAN countries in promoting their systems for the protection of Industrial Property Rights. This in turn helped in protecting European business interests in Asia concerning Intellectual Property issues. Moreover, the EU launched a new economic co-operation programme called ‘EC-ASEAN Intellectual Property Rights Co-operation Programme’ (ECAP II), officially started

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106 The ECAP I was implemented with the six original ASEAN member states namely Brunei, Indonesia, Malaysia, Thailand, the Philippines, and Singapore. After joining ASEAN in June 1995, Vietnam participated in all regional ECAP I activities.
in July 2000 and running for five years with a total budget of 5 million Euros\textsuperscript{107}. The overall objectives of ECAP II are: to foster trade, investment and technology exchange between Europe and ASEAN and to foster intra-ASEAN trade and investment (ECAP Official Website at www.ecap-project.org/ecap/).

However, there was an interesting observation concerning the Commission’s evaluation of these EU-ASEAN co-operation programmes, noted in the Commission’s (2004a: 13) ‘Strategy Paper and Indicative Programme for Multi-Programme in Asia 2005-2006’, that although the EC-ASEAN programmes have made a valuable contribution to promoting co-operation at regional level, some of these programmes may in retrospect have been overly ambitious (Biodiversity, IPR) and were not in pace with ASEAN’s own agenda which have sometimes been in advance of the realities of ASEAN ‘integration. In consequence, the Commission concluded that ‘region to region co-operation with ASEAN has proven more complex than bilateral co-operation’ (2004a: 13). Therefore, it seems the Commission has suggested that bilateral co-operation might be a better option for ASEAN, when it introduced a new and more flexible approach that ‘co-operation...can be bilateral, regional or a mix of both’ (2004a: 16). This is in line with the flexible approach of the New ASEAN strategy mentioned earlier, which allows for new Bilateral Co-operation Agreements with individual ASEAN countries.

Taking into account the EU indicative budget for 2005/2006 for co-operation programmes towards Asia shown in Table 5.5, it is important to note that ASEAN benefits from the substantial regional envelopes, both Asia-wide programmes and specific EU-ASEAN co-operation assistance, accounting for 10-15 million Euros from the total indicative budget for

\textsuperscript{107} While ECAP I focused on industrial property rights, this new programme expands the scope of activities to all fields of intellectual property rights: patents and industrial designs, trade marks, copyrights and related rights, geographical indications, layout-designs of integrated circuits, protection of undisclosed information. It also covers activities in the area of enforcement. It comprises a regional component covering Brunei, Indonesia, Philippines, Singapore, Thailand and Vietnam, and national components covering the same countries except Vietnam.
of approximately 85-100 million Euros, compared to only 2-5 million Euros for SAARC. Moreover, it is important to note that the EU also devotes the amount of 15-25 million Euros to trade and investment co-operation under the Asia-wide programmes (which includes the Asia-Invest Programme), compared to the same amount on environment but more on higher education (24-35 million Euros)\textsuperscript{108}.

Table 5.5: The EU’s Indicative Budget for 2005/2006

<table>
<thead>
<tr>
<th>Asia-wide Programmes</th>
<th>Trade and Investment 15-25 millions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Higher Education 24-35 millions</td>
</tr>
<tr>
<td></td>
<td>Environment 15-25 millions</td>
</tr>
<tr>
<td>ASEAN</td>
<td>10-15 millions</td>
</tr>
<tr>
<td>SAARC</td>
<td>2-5 million</td>
</tr>
<tr>
<td>Reserve</td>
<td>15 millions</td>
</tr>
<tr>
<td>TOTAL</td>
<td>85-100 millions</td>
</tr>
</tbody>
</table>

Source: European Commission, 2004a: 27-28

The financial commitment the EU makes to these co-operation programmes, both the Asia-wide programmes (particularly in trade and investment) and specific programmes towards ASEAN, indicates the significance of the use of economic co-operation programmes as commercial instruments towards ASEAN and the crucial role of the EU as ‘financer’ in engaging business in South East Asia. Instead of trying to directly engage business into the EU-ASEAN interregional framework which remains predominantly intergovernmental in nature, the EU prefers to play a background and framework role by giving financial support and funding through these economic co-operation programmes for business or business associations to organise their own trade and investment facilitation/promotion activities (in the case of the Asia Invest Programme). While the ASEM and AEBF focuses on a process of dialogue and networking among EU and Asian public and private sectors, particularly governments and business, at transregional level, the EU’s interregional strategy with ASEAN through the use of these

\textsuperscript{108} The budget for higher education is as high as 24-35 million Euros for 2005/2006 because it includes a budget for a new scholarship programme called Erasmus Mundus in Asia, targeting more Asian students to study in Europe.
economic and co-operation programmes aims at producing more concrete outcomes at the local level, supporting business co-operation, promoting joint ventures, tackling particular trade problems, for example, intellectual property and standards (in the case of EU-ASEAN programmes).

Moreover, it is important to note that these EU economic co-operation programmes aim particularly to support SMEs, rather than large transnational companies, from both Europe and Asia. This is, for the Commission, because ‘SMEs often do not have the means to keep up with developments in foreign markets, and cannot bear the high costs involved in looking for partners on the other side of the world’ and ‘such difficulties mean that SMEs have tended to benefit the least from the enormous opportunities for technology transfer, trade and investment between European and Asian companies’ (European Commission Delegation in Thailand, 1997: 5).

Therefore, these economic co-operation programmes can particularly facilitate European and Asian business co-operation.

Key examples of the economic co-operation programmes to engage business and to produce concrete outcomes in support of trade and investment between the EU and South East Asia used in this chapter are: EBIC initially adopted for ASEAN and then expanded to other Asian countries, and the Asia-Invest Programme under the Asia-wide programme, in which ASEAN is one of the beneficiaries. While the EBIC aims to facilitate trade and investment by providing information to EU and Asian firms on trade, infrastructure, factor costs, and regulations and standards, the Asia Invest Programme aims to promote investment between the two regions by supporting business match-making opportunities, partnership-building and capacity strengthening activities. The chapter now turns to examine the EBIC and Asia Invest Programme in terms of their objectives and operations and to evaluate the extent to which these programmes have been produced concrete outcomes in promoting trade and investment relations between the two regions, as the EU intended.
5.4.2 European Business Information Centre (EBIC)\(^{109}\)

It was at the AEMM11 in September 1994 that the idea of the EBIC was initiated and the Ministers agreed ‘to complete by the end of 1994 the constitution of a network of European Business Information Centres in ASEAN capitals’ which ‘will provide valuable information to businessmen on market conditions in Europe and ASEAN’ (Joint Declaration the AEMM11, Paragraph 12). Following the AEMM11 initiative, EBIC offices were established in four major ASEAN countries, including Philippines, Malaysia, Thailand and Vietnam (an EBIC in Indonesia was planned, but has never taken off) as well as in two South Asian countries, India and Sri Lanka (EuropeAid Co-operation Office, 2004b and 2004c). See Table 5.6 for a list of EBIC in Asia.

Table 5.6 EBIC Offices in Asia (South East Asia and South Asia)

<table>
<thead>
<tr>
<th>EBIC Offices</th>
<th>Operation Period</th>
<th>Co-ordinating/Recipient</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIC Philippines</td>
<td>1996-2000</td>
<td>The European Chamber of Commerce of the Philippines</td>
<td>Also called ‘Business Information Development Service II (BIDII) Project as it was extended from BIC I Project (1993-1995)</td>
</tr>
<tr>
<td>EBIC Malaysia</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>EBIC Thailand</td>
<td>1999</td>
<td>N/A</td>
<td>Started and ended after some months of its operation</td>
</tr>
<tr>
<td>EBIC Vietnam</td>
<td>2002-2003</td>
<td>The European Chamber of Commerce in Vietnam (EUROCHAM)</td>
<td></td>
</tr>
<tr>
<td>EBIC Indonesia</td>
<td>*Never taken off</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIC Sri Lanka</td>
<td>1998-2002</td>
<td>European Chamber of Commerce of Sri Lanka</td>
<td></td>
</tr>
<tr>
<td>EBIC India</td>
<td>2000-2002</td>
<td>The Council of EU Chambers of Commerce in India</td>
<td></td>
</tr>
</tbody>
</table>

Source: adopted and accumulated by the Author from interviews and questionnaire feedbacks, and the EuropeAid Co-operation Office (2004b and 2004c)

\(^{109}\) EBIC is one of the EU economic co-operation programmes towards ASEAN operating between 1994 and 2002, thus it is not included in Annex 5.1, page 337 which is a list of more current programmes.
Adopted as part of the EU’s co-operation programmes, the EBIC programme was directed and managed by the EuropeAid Co-operation Office of the European Commission. Two general objectives of the EBIC stated by the Commission are: I) to raise the profile of the EU among the business community in the partner countries and II) to contribute to the development of the Asian partner countries. Following these objectives, the EBIC core activities include:

(i) providing information to Asian businesses or associations (such information will be on issues related to the EU single-market such as customs and tariffs, market access, standards, technical certification)
(ii) promoting the take-up by Asian applicants of EU cooperation programmes (particularly Asia-Invest) and the training opportunities they offer, so as to facilitate skills and capacity building in the Asian business communities,
(iii) collaborating with and servicing the member states embassies or other bilateral business associations in the Asian countries, by building up a resources and information base (covering both EU and single market issues as well as such information on the local business regulations) that will be at the disposal of the embassies to assist them in their own business cooperation initiatives, and etc (EuropeAid Co-operation Office, 2004a).

These EBIC objectives and activities mentioned earlier reflect the Commission’s attempt to engage business by establishing an EU-level agency at the local level to assist business on its day-to-day business activities and to coordinate with both public and private sector agencies, including Member States Embassies, national Chambers of Commerce, and other business associations. The EBIC was strategically seen by the Commission as the EU ‘service’ agency to help facilitate trade and investment between the EU and ASEAN, as well as to bring the EU closer to business communities, particularly in the area of trade by providing information on the Single European market. The EBIC perhaps can be seen as following the model of the JETRO\textsuperscript{110} representative offices in Asia to assist Japanese business in third countries.

\textsuperscript{110} JETRO is a government-related organization (under Japanese Ministry of Economy, Trade and Industry-METI) that works to promote mutual trade and investment between Japan and the rest of the world. Originally established in 1958 to promote Japanese exports abroad, JETRO’s core focus in the 21st century has shifted toward promoting FDI into Japan and helping Japanese SMEs maximise their global export potential. (JETRO website at www.jetro.go.jp, accessed April 2005).
However, the implementation of the EBIC programme was no easy task, and EBIC offices faced a number of operational difficulties which meant that they were not a success in every Asian country. After some years of six EBIC offices operating in South East Asia and South Asia, the Commission decided to end the EBIC programme in 2003 with significant achievements in some countries but only marginal achievements in the others.

Both the Commission's evaluation of the EBIC programme and interviews and questionnaire research conducted by the author with officials of the EU and the EBIC offices in Asia suggest a variety of outcomes and achievements of the EBIC programme in different Asia and ASEAN countries. For example: 'the EBIC in Vietnam was operating successfully until 2003 when the Commission decided to end the EBIC programme' (Questionnaire Feedback, Former Executive Director of EBIC Vietnam, 16 February 2004); the EBIC Offices in the Philippines, India and Sri Lanka were also running successfully but were closed in 2000 (for the Philippines) and in 2002 (for India and Sri Lanka) (EuropeAid Co-operation Office, 2004b and 2004c). However, the EBIC in Thailand faced a number of operational problems from its establishment in 1999, and was closed in the same year after only a few months of operations (Interview, Delegation of the European Commission in Thailand, Bangkok, 26 August 2003). The planned EBIC in Indonesia did not even take off (EuropeAid Co-operation Office, 2004b and 2004c). In Vietnam, India and Sri Lanka, the European Chambers of Commerce and the Delegations of the Commission in those countries carried the EBIC activities forward. In Thailand where there is no European Chamber of Commerce, the Delegation in Bangkok absorbed some activities of the EBIC into a new section under the delegation called 'Business Information Centre- BIC', established in 2004 (Interview, Delegation of the European Commission in Thailand, Bangkok).

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111 The EBIC in Vietnam was operating until 30 September 2003. After two years of operation, it managed over 1000 enquiries, more than 100 seminars with over 5500 participants (EBIC Vietnam website, accessed February 2004).

112 In Thailand, there is no European Chamber of Commerce as a legal entity (Thai law does not allow this), but there is an informal networking process between Chambers of Commerce of European countries in Thailand (See Chapter 6).
26 August 2003). The roles of the Delegation of the Commission as a trade facilitator, particularly the BIC will be discussed further in the case study of Thailand (See Chapter 6, Section 6.4.2).

In this respect, the marginal achievements of the EBIC as an EU-level agency to facilitate trade and investment in ASEAN countries seems partly due to uneven distribution of commercial competence between the EU and Member States (while trade policy falls under the Community’s exclusive competence, trade and investment promotion and investment issues are still under Member States’ competence) that made EBIC operations on the ground more difficult. This uneven distribution of commercial competence also led to overlapping and confusion of roles, responsibilities, and activities of EU-level organisations like the EBIC and Member States’ business organisations such as national Chambers of Commerce (obviously, in the case of Thailand). The Commission’s aim of using the EBIC as an agency ‘act[ing] in a manner complementary to the public and private sector agencies of the member states, to increase the capacity of Asian business to engage in mutually beneficial linkages with EU businesses’ (EuropeAid Co-operation Office, 2004a) was rather difficult to achieve. In the case of Thailand, some Chambers of Commerce even expressed their strong opinion that the EBIC activities somehow were overlapping with that of the Chambers and Embassies (Interview, German-Thai Chamber of Commerce, Bangkok, 7 August 2003; Interview, British Chamber of Commerce Thailand, Bangkok, 27 August 2003). This implies that there is still a gap between the EU and the business community at local level in Thailand (This point will also be further discussed in the case of Thailand in Chapter 6).

However, apart from the issue of uneven competence, it is important to note that the success or failure of the EBIC office also varies according to particular conditions and situations in different ASEAN countries. For instance, in the case of Vietnam, individual Member States Embassies and business organisations are not yet well represented, so there is more incentive to
cooperate under the EU's umbrella. Thus, the EBIC could play a more important role. On the other hand, in some other ASEAN countries, where there are stronger and well-represented national business organisations and Member States in the country, the need to have an EU-agency like the EBIC would appear to be less pressing.

The EU seemed to learn from the EBIC experience that rather than trying to engage business on its day-to-day business activities, it should pursue its role only at the framework/background level. The promotion of day-to-day business activities and trade and investment promotion issues remains a responsibility of the Member State Embassies and their national business organisations such as Chambers of Commerce. As a EuropeAid Co-operation official noted, the Small Project Facility (SPF) – a programme of EU financial support at bilateral level – which has commenced in a number of Asian countries, for example, Bangladesh, China, India, Indonesia, Malaysia, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam – in many cases carries out similar types of activities to those undertaken through the EBIC programme (Questionnaire feedback, EuropeAid Co-operation Office, 31 March 2004). Detailed discussion of the SPF Project in Thailand will be dealt with in the next chapter (See Section 6.4.3), but it appears that the EU prefers to play only a financier role in engaging business within South East Asian countries. The Asia-Invest Programme also reflects this EU intention.

5.4.3 The Asia-Invest Programme

The Asia-Invest programme is another example of the EU’s economic co-operation programmes (part of the Asia-wide programme mentioned earlier) aimed at engaging business, of which ASEAN is one of the main beneficiaries. Generally, it aims to support co-operation between the EU and Asian business networks and to strengthen the business environment to increase trade and investment flows between the two regions through a method of providing business contracts, financial support and investment intelligence. The Asia-Invest Programme targets business
participation from the EU Member States and Asian countries\textsuperscript{113}, not only limited to ASEAN. With particular attention paid to the SMEs, the Asia-Invest programme aims at ‘assisting European and Asian SMEs in forming partnerships, by providing information on potential markets, investment opportunities and joint ventures’ (European Commission Delegation in Thailand, 1997: 5). This Asia-Invest aim of creating interregional partnerships and networking among businesses is reflected organisationally in Diagram 5.2 below. The Programme has already been in action for two phases: Asia-Invest Phase I from 1997-2002 and Phase II from 2003-2007.

Diagram 5.2: Asia-Invest Structure

\textsuperscript{113} The eligible applicants of the Asia-Invest Programme Phase I are from the 15 EU Member States and 17 developing countries in Asia as governed by the ALA-Regulation, Council Regulation (EEC) 443/92 of 25 February 1992: Afghanistan, Bangladesh, Bhutan, Cambodia, China, East Timor, India, Indonesia, Lao PDR, Malaysia, Maldives, Nepal, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam. In Asia-Invest Phase II, eligible applicants are 25 EU Member States and 19 Asian countries (Mongolia and North Korea were added) (Asia-Invest Programme Website at http://europa.eu.int/comm/europeaid/).

Starting its operations in 1997, Asia-Invest Phase I (1997-2002) offered different ‘tailor-made’ instruments to support business co-operation between the two regions. They are:

(i) The Business Priming Fund, which accounted 41% of the total activities, aims at providing support and part-financing to groups of European/Asian enterprises to prepare them for business co-operation.

(ii) The Asia Enterprise and Asia Partenariat, which accounted for 20% and 14% respectively, provide opportunities for business-to-business meetings offering a platform for European and Asian companies to discuss concrete co-operation projects.

(iii) The Asia Investment Facility, which accounted for 25%, covers activities designed to identify, evaluate, and promote focused investment opportunities (Asia-Invest Programme, ‘Asia-Invest: A European Community Initiative’, No Date).

These instruments reflected the EU’s intention to engage business by providing financial support through the Asia-Invest Programme. In order to implement these instruments, Asia-Invest Phase I obtained total funding of approximately 30 million Euros (EuropeAid Co-operation Office, 2003:1).

The EuropeAid Co-operation Office is responsible as the Asia-Invest Secretariat in Brussels, managing the ‘Calls for Proposals’ process of selecting business participations which would be granted funding from the programme. In this respect, the EuropeAid Co-operation Office stresses the ‘market-driven’ nature of the programme: ‘grants are awarded on a co-financing basis to high-quality proposals submitted by intermediary organisations as applicants, who must be non-profit making and support activities to enhance trade and investment’ (2003:1). These include, for example, Chambers of Commerce, trade and investment agencies, business and industrial associations and technology, management, standards and quality institutes. The EuropeAid Co-operation Office also intends that ‘[these] intermediaries, as key economic operators, play a significant role as “multipliers”, extending the benefits of the Programme to a wider number of SMEs’ and ‘projects are implemented in partnership between intermediaries

114 However, in the Asia-Invest Phase II (2003-2007), the Calls for Proposal is managed by the European Commission Delegation in that third country, with a close co-operation from the EuropeAid Co-operation Office as Secretariat in Brussels.
from at least one of the EU Member States and at least one of the eligible Asian countries\textsuperscript{115} (EuropeAid Co-operation Office, 2003:1). In this respect, it can be argued that the Commission plays a framework/background role by giving financial support to Asian and European Chambers of Commerce or other business intermediaries in implementing the Asia-Invest instruments into action via their existing business networks and partnerships. This means that rather than directly engage business, the EU prefers to play only a ‘financier’ role to support business through the Asia-Invest Programme – a situation that parallels the position described in the previous section (on EBIC).

The 5-year-implementation of the Asia Invest Phase I programme led to about 160 projects and activities, with benefits, in particular, for SMEs; for instance, 43 matchmaking events between European and Asian companies in various sectors; 4 high-profile, large-scale matchmaking projects in India (1999), Singapore (1997), Malaysia (2002), and China; 26 tailor-made studies for groups of European companies aimed at monitoring/researching markets in Asia, conditions for doing business and market entry strategy in multiple sectors (including one of ASEAN called ‘New Business Opportunities for EU Companies in the ASEAN area’) (European Commission, 2005g); and 25 training seminars for Asian SMEs on various aspects of how to do business with the EU and seminars for EU companies on business co-operation opportunities in Asia (EuropeAid Co-Operation Office, 2003: 2). This implies a significant level of achievement by the Asia-Invest mechanism in the eyes of the European Commission. The EuropeAid Co-operation Office emphasised the Commission’s appreciation of the Asia-Invest programme as ‘one of the most successfully-implemented co-operation programmes in promoting trade and investment ties between the EU and Asia’ (Interview, European Commission, EuropeAid Co-operation Office, Brussels, 13 June 2003). Not only the EuropeAid Co-operation

\textsuperscript{115} Afghanistan, Bangladesh, Bhutan, Cambodia, China, East Timor, India, Indonesia, Lao PDR, Malaysia, Maldives, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam. Singapore, Brunei, Hong Kong and Macao.
office, but officials from DG Trade and the European Commission Delegation in Thailand recognised an increasingly important role for the Asia-Invest Programme as a regional commercial instrument in supporting the EU-Asian commercial relations (Interview, European Commission, DG Trade, Brussels, 13 June 2003; Interview, European Commission Delegation in Thailand, Bangkok, 26 August 2003).

**Asia-Invest Phase II (2003-2007)**

With this record of achievement, it is not surprising that the Commission extended the Programme into Phase II for the period 2003-2007, with a commitment of 35 million Euros, in which three major aims will be pursued through different instruments: first, supporting more business to business match-making and partnership building (through Asia-Venture, Asia-Interprise, and Asia Partenariat); second, enhancing Asian private sector development (Asia-Invest Technical Assistance and Asia Investment and Trade Facilitation Studies), and third, increasing institutional capacity building, networking and dialogue between Asian and European business intermediary organisations (Asia-Invest Alliance and Asia-Invest Forum) (Asia-Invest 2003-2007 Flyer, Asia-Invest Website at http://europa.eu.int/comm/europeaid/). It is important to note that the third mechanism represents a new approach of Asia-Invest Phase II, added to those used in from Phase I.

**ASEAN in Asia-Invest Programme**

To focus more specifically on the ASEAN share in the Asia-Invest Programme, it can be argued that the Asia-Invest Programme seems to be less central to ASEAN or to particularly promote EU-ASEAN trade and investment relations than that with China. The EuropeAid Co-operation Office's statistics indicate that among projects funded under the Asia-Invest Phase I, ASEAN
appears to be the smallest beneficiary\textsuperscript{116}. While China and Germany are the two dominant beneficiaries (from European and Asian sides, respectively) of the programme with a number of projects targeted on China, ASEAN applicants are relatively marginal and the business community in ASEAN countries did not seem to take up the opportunity offered by the EU (EuropeAid Co-operation Office, No Date). The Asia-Invest Secretariat in Brussels also expressed concern at the lack of ASEAN country applicants and projects targeted on promoting EU-ASEAN relations, compared to applicants from China (Interview, European Commission, EuropeAid Co-operation Office, European Commission, Brussels, 13 June 2003).

At the same time, the research conducted in 2003 for this thesis suggests that in the case of Thailand, the Asia-Invest Programme (Phase I) either was not well recognised by business or was widely criticised by a number of Chambers of Commerce for its bureaucratic, complicated, and time-consuming nature (Interviews, German-Thai Chamber of Commerce, Bangkok, 7 August 2003; Franco-Thai Chamber of Commerce, Bangkok, 15 September 2003; and Thai-Finnish Chamber of Commerce, Bangkok, 17 September 2003). This in turn seems to indicate a gap between the EU and business on the ground as well as a problem of lack of business awareness and/or interest in the EU activities and projects, i.e., applying for financial support from the EU (particularly in the case of Thailand).

In this respect, in Asia-Invest Phase II, the two new mechanisms (Asia-Invest Alliance and Asia-Invest Forum), aiming at supporting a dialogue and networking between Asian and European business intermediary organisations, and between public and private sectors, were introduced (as noted earlier). In order to promote greater visibility of the opportunity offered by the Asia-Invest Programme among businesses in ASEAN countries, 'Asia-Invest Forum

\textsuperscript{116} Among the Asia-Invest Phase I funded projects, beneficiaries are, for example, China (23 projects with all of projects targeting at China); Germany (23 projects with different target countries, i.e., China, Singapore, Malaysia, Thailand, India); Italy (13 projects with different target countries China and ASEAN countries); France (16 projects with China and ASEAN countries); Vietnam (15 projects targeting at Vietnam) (EuropeAid Co-operation Office, Asia-Invest Calls for Proposal-Contracts Awarded (1997-2010) by Applicant countries, ND).
Thailand' was held on 14-15 November 2005, before the EU-Thailand Partenariat 2005 (a major match-making event) on 17-18 November 2005 in Bangkok. As a Commission official emphasised ‘Thailand is still underrepresented in the Asia-Invest Programme’ (Interview, EuropeAid Co-operation Office, Brussels, 17 October 2005). This Asia-Invest Forum in Thailand could not only enhance the visibility of the Asia-Invest Programme, but also could in turn promote dialogue and networking among commercial actors at the local level (which will be argued in detail in Chapter 6).

Moreover, generally the Commission also initiated an attempt to deploy EU external assistance more rapidly and more efficiently. As already noted in Chapter 2, in May 2000, the Commission adopted the Communication on the reform of the management of external assistance117 (2000b) which includes the ‘Devolution to Delegations’ policy, giving more important roles to the Delegations and enabling the Delegations to play a key role in implementing cooperation and development programmes ‘to ensure effectiveness and ownership of aid management’ (2000b: 20). As a consequence, the implementation of the Asia-Invest Phase II, for example, budgetary and financial management, was transferred to the Delegations in close co-operation with the EuropeAid Co-operation Office in Brussels (Interview, European Commission Delegation in Thailand, Bangkok, 26 August 2003). Alongside the recent establishment of a number of new Delegations in South East Asia (see Chapter 3, Section 3.3.3 and Table 3.1), these Delegations are expected to effectively implement the EU co-operation programmes, including the Asia-Invest Programme, thus producing concrete outcomes and supporting EU-ASEAN trade and investment ties, particularly among SMEs.

117 On 16 May 2000, the European Commission decided to take its reform a step further by carrying out an ambitious programme to improve the quality of projects and the speed of their implementation. The aims are: to improve significantly the quality and responsiveness of project management; to reduce substantially the time taken to implement approved projects; to ensure that financial, technical and contractual management procedures are in line with the highest international standards of propriety and accountability; to improve the impact and visibility of EU co-operation to development. (European Commission, 2000b)
5.5 CONCLUSION: THE EU’S COMMERCIAL AND BUSINESS ENGAGEMENT AT INTERREGIONAL LEVEL

This chapter has investigated EU-ASEAN interregional relations and the EU’s commercial and business engagement at this interregional level. It observed that unlike the ASEM in which a business body like the AEBF has been integrated as part of the ASEM economic framework, formally and strategically linking governments and business together, the EU-ASEAN institutional structure neither includes business into its intergovernmental framework, nor has it attempted to do so.

Though the EU-ASEAN relationship formally started in the 1970s, the EU had not considered EU-ASEAN interregional relations as a framework for encouraging European business to invest in South East Asia or ASEAN, rather only as a framework for political dialogue and for managing the 1980 EC-ASEAN Co-operation Agreement. It was only in the mid-1990s that the Commission started to recognise the importance of ASEAN as a growing and attractive ‘market’, setting up its first formal strategy towards ASEAN in 1996 (though it was not successfully implemented due to political objections). Moreover, the first EU-ASEAN Business Conference was held back-to-back with the AEMM11 in 1994 in Karlsruhe, Germany (ASEAN Annual Report 1994-1995); however this EU-ASEAN business conference was finally subsumed under the first AEBF in 1996. In this respect, the EU can engage business through the ASEM/AEBF channel in the wider context of Asia, including not only ASEAN, but also North East Asian countries, i.e. China, Japan and South Korea. At the same time, for the EU, EU-ASEAN interregional relations remain an intergovernmental dialogue exclusively at policy-making and diplomatic level, with less business involvement. The 2003 ‘New Partnership with South East Asia’ and particularly the creation of TREATI also confirm this EU intention.

Instead of being driven by business forces or the needs of the private sector, the TREATI is a pure Commission initiative adopted as part of the 2003 New ASEAN Strategy to respond to
an increasing importance of FTA trend in the world economy at the beginning of 2000s, especially that of its major economic competitors (the US and China) with ASEAN countries. The TREATI, though, does not promise the establishment of EU-ASEAN FTA, and only aims at setting up a 'framework for co-operation' to promote trade and investment. This is to be pursued by building informal working groups (by sector) among officials to overcome trade and investment barriers, informing partners about each other's regulatory systems and eventually developing into an exercise of approximation and harmonisation of regulatory framework between the two regions – the process which, as viewed by the EU and ASEAN, 'could pave the way for a future preferential trading agreement' (Joint Press Statement, the 3rd AEM-EU Consultation). This TREATI initiation reflects the top-down nature of the EU-ASEAN interregional relations, in which business is less involved.

While not attempting to formally involve business in the EU-ASEAN institutional framework, the EU pursues a different strategy with indirect or ‘soft’ instruments to engage business at this interregional level. Economic co-operation programmes towards Asia/ASEAN have increasingly been used as commercial instruments with which to engage business in Asia since the late 1990s. The chapter has examined the EBIC and the Asia-Invest Programme as two examples of this process. The investigation and observation of these two economic co-operation programmes as part of the broader development of EU-ASEAN commercial relations has illustrated some characteristics of the commercial and business engagement instruments used, strategies developed, stakeholders engaged, and roles played by the EU at this interregional level as follows:

First, the investigation of the EBIC and Asia-Invest Programmes indicates a rather different commercial and business engagement strategy of the EU at interregional level, compared to that of the ASEM and AEBF at transregional level (discussed in Chapter 4). Although it is undeniable that EU strategies at these two different levels are interconnected and
share a common goal of facilitating trade and investment and supporting business co-operation between two regions, they represent different approaches and types of instruments pursued by the EU. The AEBF, as well as TFAP and IPAP, under the ASEM economic framework emphasises the building of a 'process' of dialogue and networking among governments and business at strategic level and are aimed more at big/internationally competitive business, whilst the EBIC and Asia-Invest Programme, through representing regional programmes, target business at the bilateral level, focus more on producing concrete outcomes locally and give particular attention to SMEs. For example, the EBIC aimed at establishing an EU-level agency in different Asian/ASEAN countries to assist business locally, while the Asia-Invest programme aims at building business co-operation by providing opportunities for business contracts and match-making, and giving financial support to business intermediaries both from the EU and from Asia.

While the achievement of the EBIC – the EU-level agency explicitly aimed at engaging business on the ground – seems to be marginal, the Asia-Invest Programme has proved to be more successful in engaging business, particularly SMEs. This achievement of the Asia-Invest Programme is reflected in its extension to Asia-Invest Phase II for the period 2003-2007. The EU experience from both co-operation programmes suggests the EU prefers to engage business only indirectly, by providing financial support through a programme like Asia-Invest to local intermediaries and business and private organisations, who organise their own business activities through their existing business networks. This would suit the needs of business locally. This reflects the EU's intention to engage business indirectly. Hence, the EU plays a financier role in this interregional level.

Secondly, while the ASEM as transregionalism, as we mentioned in the Chapter 4, is closer to multilateralism in terms of supporting the EU's collective role at the multilateral and global level, there can be observed a number of policy-linkages between the interregional level of EU-ASEAN relations and the bilateral level. The EU's commercial strategy towards ASEAN
often involves its implementation at bilateral level (in different individual ASEAN countries). In particular, the ‘New Partnership with South East Asia’ strategy strongly reflects the EU’s new focus on using a bilateral approach, but within the framework of EU-ASEAN relations in order to reinvigorate its relations with ASEAN. For example, there can be observed the Commission’s negotiations on Bilateral Agreements with different ASEAN countries such as Thailand and Singapore, while the EU-ASEAN Co-operation Agreement seems to be outdated and rather marginalised due to political problems in Myanmar. Not only this EU offer of new Bilateral Agreements with different ASEAN countries, but also the TREATI focuses on a ‘flexible approach’. Although TREATI is seen as a regional trade action plan, its implementation is undertaken bilaterally. This fact shows the practice of bilateralism within the interregional framework and the close link between interregionalism and bilateralism. This close linkage will be also observed when we will discuss the role of the EU in a bilateral context – that of Thailand – in Chapter 6.

Finally, evidence provided by this chapter might lead to a conclusion that business engagement is not a major aim in EU-ASEAN interregional relations, that political issues tend to dominate, and that the EU’s business engagement with ASEAN at this interregional level is consequently uneven. Although the EU uses economic co-operation programmes to engage business in ASEAN, it is done as part of the wider context of Asia, including China and South Asian countries. However, it is important to note that while China seems to be the most dominant beneficiary of this programme, the ASEAN applicants have very limited involvement. This confirms the trend that ASEAN as a region is likely to be less interesting for the EU in terms of pursuing commercial and business engagement, partly due to diversity within ASEAN, unsolved political problems, and the low progress of ASEAN integration itself. Rather than attempting to foster its interregional relations with ASEAN, the EU particularly the Commission seems to move towards bilateralism in its relations with ASEAN. This trend will be observed in Chapter 6.
Chapter 6

The EU in Thailand

6.1 INTRODUCTION

While the preceding two chapters have analysed the EU’s commercial and business engagement at the regional level, both transregional (ASEM) and interregional (EU-ASEAN), this chapter is devoted to an investigation of the EU in Thailand, to EU-Thai economic and commercial relations, and more specifically to the commercial and business engagement strategies adopted by the EU at the bilateral level with Thailand. It emphasises the exploration of EU commercial and business engagement at this bilateral level by seeking to explain ‘what actually happens’ (Bale, 2002: 16) in different Asian countries (in this case Thailand), and how and with what effects the EU’s commercial and business engagement strategies have been implemented locally.

Thailand is used here as an empirical study since it is recognised as one of the leading ASEAN countries, one of the most important EU trading partners among ASEAN, and one of the most attractive FDI destinations in South East Asia. Importantly, among ASEAN countries, Thailand – which has never been colonised by any European country – seems to offer a relatively neutral arena in which to investigate the EU’s roles in the bilateral context in Asia.

This chapter begins by giving an overview of EU-Thai bilateral relations, including recent trade and investment trends, economic and development co-operation, and bilateral institutional structure. Particular attention will be paid to an investigation of the European Commission Delegation as the EU’s ‘commercial representation’ at this local level, developing its own instruments, strategies, and roles alongside other commercial actors (both states and firms), including Member State Embassies, Chambers of Commerce, European business, and local
business. This results in what the chapter calls ‘commercial networking’ among these commercial actors, where the Delegation has played a proactive and cooperative role.

More specifically, the chapter explores the roles played by the Delegation in this commercial networking process, particularly in engaging Member State Embassies through a process of ‘diplomatic co-operation’ (Bale, 2002: 10) and in assisting different business stakeholders, both European firms to access the Asian markets, and on the other hand local firms to enter the EU market. This means the EU through the Delegation has positively engaged both states and firms at this local level. The significant roles of the Delegation observed in the case of Thailand are market opener, trade and investment facilitator, financier, and coordinator. Finally, the observation of roles and activities of the European Commission Delegation as a commercial representation in Thailand, despite the fact that it still shares commercial competence with Member States Embassies, helps illustrate the instruments used, strategies developed, stakeholders engaged, and roles played by the EU as a commercial actor in Thailand.

6.2 EU-THAI BILATERAL RELATIONS

Colonialism was an initial form of Western penetration, both by Western governments and business into Asia. Among South East Asian countries Thailand is the only country which was not colonised by any of the European powers. Without such special colonial relations, it is argued that among ASEAN countries Thailand is a more neutral case through which to look at the EU’s commercial role at the bilateral context, whereas in other ASEAN countries the pattern of EU commercial strategies and the role of the EU might be influenced by particular European historical experiences, for example, the strong British influence in Malaysia. The chapter starts by giving an overview of EU-Thai commercial relations since the mid-1990s up to 2004,

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118 However, this is not to say that there was no European colonial influence in Thailand; some scholars have observed European commercial expansion in Thailand since the 1680s (Bassett, 1997:263).
including trade and investment trends, development and economic co-operation, and bilateral institutional frameworks.

6.2.1 EU-Thai Commercial Relations: Trade

EU-Thai commercial ties have been centred on trade. As the Commission states, 'the EU and Thailand maintain long-standing and fruitful contacts, mainly on trade and economic issues' (2002d: 3). Regarding bilateral trade, the EU is one of the major trading partners of Thailand (together with the US, Japan and ASEAN). As shown in Figures 6.1 and 6.2 and Tables 6.1 and 6.2, since 1995 the EU has held a consistent share of approximately 15% of Thai total trade (both imports and exports).

Figure 6.1: Thai Exports to Major Trading Partners (1995-2001)

Table 6.1: Thai Exports to Major Trading Partners (1995-2001)

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<td>USA</td>
<td>7809</td>
<td>10747</td>
<td>11574</td>
<td>16010</td>
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<td>8209</td>
<td>11829</td>
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<td>15,1%</td>
<td>17,6%</td>
<td>15,1%</td>
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<td>36152</td>
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<td>100%</td>
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<td>100%</td>
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</table>

Source: European Commission 2002d: 27

233
Figure 6.2: Thai Imports from Major Trading Partners (1995-2001)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Yearly % change</th>
<th>Share of total EU imports</th>
<th>Exports</th>
<th>Yearly % change</th>
<th>Share of total EU exports</th>
<th>Balance</th>
<th>Imports + Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>13,514</td>
<td>1.36</td>
<td>6,602</td>
<td>0.77</td>
<td>-6,912</td>
<td>20,116</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>13,124</td>
<td>-2.9</td>
<td>7,709</td>
<td>1.33</td>
<td>7,015</td>
<td>20,834</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>11,978</td>
<td>-8.7</td>
<td>6,931</td>
<td>1.27</td>
<td>-10.1</td>
<td>18,909</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>11,801</td>
<td>-1.5</td>
<td>6,423</td>
<td>1.25</td>
<td>-7.3</td>
<td>18,224</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>12,842</td>
<td>8.8</td>
<td>7,000</td>
<td>1.25</td>
<td>9.0</td>
<td>19,842</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average annual growth: -1.3%
A different picture of Thailand’s trade with the EU is shown in Table 6.4 and Figure 6.4; during 1999-2003 Thailand’s imports from the EU amounted to approximately 5-8 billion Euros (giving the EU 10.74-13.11% of total Thai imports), and Thailand exported to the EU 9-12 billion Euros (thus the EU accounted for 15.76-17.89% of total Thai exports). Moreover, Thailand ran a trade surplus with the EU during the period 1999-2003. These statistics broadly indicate that in terms of bilateral trade the EU is more important to Thailand, than Thailand to the EU and that Thai exporters still heavily rely on the EU market.

Table 6.4: Thailand’s Trade with the EU (1999-2003/Million Euros)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Yearly % change</th>
<th>EU Share of total imports</th>
<th>Exports</th>
<th>Yearly % change</th>
<th>EU Share of total exports</th>
<th>Balance</th>
<th>Imports + Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>5620</td>
<td>12.48</td>
<td>9.475</td>
<td>17.89</td>
<td>3.855</td>
<td>15095</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>7004</td>
<td>24.6</td>
<td>12.174</td>
<td>28.5</td>
<td>5.170</td>
<td>19177</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>8705</td>
<td>24.3</td>
<td>13.11</td>
<td>12.084</td>
<td>7.1</td>
<td>3.379</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>7688</td>
<td>-11.7</td>
<td>13.76</td>
<td>11.148</td>
<td>15.76</td>
<td>3.460</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>6890</td>
<td>-10.4</td>
<td>1074</td>
<td>10.782</td>
<td>15.69</td>
<td>3.892</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9m 2003</td>
<td>5138</td>
<td>10.91</td>
<td>8.001</td>
<td>15.73</td>
<td>2.863</td>
<td>13138</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9m 2004</td>
<td>5673</td>
<td>10.4</td>
<td>8.566</td>
<td>3.3</td>
<td>14239</td>
<td>4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average annual growth</td>
<td>5.2</td>
<td>3.3</td>
<td>15.24</td>
<td>3.3</td>
<td>15.24</td>
<td>14239</td>
<td>4.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: European Commission, 2005f
Figure 6.4: Thailand’s Trade with the EU (1999-2003/Million Euros)

Source: European Commission, 2005f

Products traded between the EU and Thailand include machinery, agricultural products, office/telecommunication equipment, transport equipment, chemicals, textile and clothing (see Figure 6.5). According to Tables 6.5 and 6.6, during 2002-2004 machinery, agricultural products, and textiles and cloth can be seen as the three most significant products dominating EU-Thailand bilateral trade relations. In 2004, machinery products accounted for 40.9% of total EU imports from Thailand, followed by agricultural products (13.9%) and textiles and clothing (10.2%). EU exports to Thailand are dominated by machinery products (36.2%) and chemicals (16.4%).

Figure 6.5: The EU Merchandise Trade with Thailand by Product (2004)

Source: European Commission, 2005f

236
Table 6.5: EU Imports from Thailand by Product (2000-2004)

<table>
<thead>
<tr>
<th>Product Groups</th>
<th>2000</th>
<th>%</th>
<th>2002</th>
<th>%</th>
<th>2004</th>
<th>%</th>
<th>2005</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>13,514</td>
<td>100.0</td>
<td>11,978</td>
<td>100.0</td>
<td>12,842</td>
<td>100.0</td>
<td>1.25</td>
<td></td>
</tr>
<tr>
<td>Primary Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural prod.</td>
<td>2,120</td>
<td>15.7</td>
<td>1,747</td>
<td>14.6</td>
<td>1,871</td>
<td>14.6</td>
<td>0.61</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>2,005</td>
<td>14.8</td>
<td>1,681</td>
<td>14.0</td>
<td>1,786</td>
<td>13.9</td>
<td>2.26</td>
<td></td>
</tr>
<tr>
<td>Manuf. Products</td>
<td>10,785</td>
<td>79.8</td>
<td>10,185</td>
<td>85.0</td>
<td>10,799</td>
<td>84.1</td>
<td>1.60</td>
<td></td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td>5,082</td>
<td>37.6</td>
<td>4,551</td>
<td>38.0</td>
<td>5,253</td>
<td>40.9</td>
<td>2.08</td>
<td></td>
</tr>
<tr>
<td>Transport equipm</td>
<td>835</td>
<td>6.2</td>
<td>1,205</td>
<td>10.1</td>
<td>1,117</td>
<td>8.7</td>
<td>1.14</td>
<td></td>
</tr>
<tr>
<td>Automotive prod.</td>
<td>767</td>
<td>5.7</td>
<td>1,086</td>
<td>9.1</td>
<td>756</td>
<td>5.9</td>
<td>1.80</td>
<td></td>
</tr>
<tr>
<td>Chemicals</td>
<td>275</td>
<td>2.0</td>
<td>192</td>
<td>1.6</td>
<td>231</td>
<td>1.8</td>
<td>0.27</td>
<td></td>
</tr>
<tr>
<td>Textiles and cloth.</td>
<td>1,446</td>
<td>10.7</td>
<td>1,345</td>
<td>11.2</td>
<td>1,316</td>
<td>10.2</td>
<td>1.89</td>
<td></td>
</tr>
</tbody>
</table>

Source: European Commission, 2005f

Table 6.6: EU Exports to Thailand by Product (2000-2004)

<table>
<thead>
<tr>
<th>SITC Rev. 3 Product Groups</th>
<th>2000</th>
<th>%</th>
<th>2002</th>
<th>%</th>
<th>2004</th>
<th>%</th>
<th>Share of total EU exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>6,602</td>
<td>100.0</td>
<td>6,931</td>
<td>100.0</td>
<td>7,000</td>
<td>100.0</td>
<td>0.73</td>
</tr>
<tr>
<td>Primary Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural prod.</td>
<td>644</td>
<td>9.8</td>
<td>631</td>
<td>9.1</td>
<td>719</td>
<td>10.3</td>
<td>0.68</td>
</tr>
<tr>
<td>Energy</td>
<td>452</td>
<td>6.8</td>
<td>430</td>
<td>6.2</td>
<td>459</td>
<td>6.6</td>
<td>0.78</td>
</tr>
<tr>
<td>Manuf. Products</td>
<td>5,473</td>
<td>82.9</td>
<td>6,064</td>
<td>87.5</td>
<td>5,900</td>
<td>84.3</td>
<td>0.73</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td>2,368</td>
<td>35.9</td>
<td>2,747</td>
<td>39.6</td>
<td>2,533</td>
<td>36.2</td>
<td>0.92</td>
</tr>
<tr>
<td>Transport equipm</td>
<td>585</td>
<td>8.9</td>
<td>542</td>
<td>7.8</td>
<td>644</td>
<td>9.2</td>
<td>0.41</td>
</tr>
<tr>
<td>Automotive prod.</td>
<td>366</td>
<td>5.6</td>
<td>402</td>
<td>5.8</td>
<td>291</td>
<td>4.2</td>
<td>0.29</td>
</tr>
<tr>
<td>Chemicals</td>
<td>994</td>
<td>15.1</td>
<td>1,088</td>
<td>15.7</td>
<td>1,151</td>
<td>16.4</td>
<td>0.76</td>
</tr>
<tr>
<td>Textiles and cloth.</td>
<td>152</td>
<td>2.3</td>
<td>150</td>
<td>2.2</td>
<td>154</td>
<td>2.2</td>
<td>0.45</td>
</tr>
</tbody>
</table>

Source: European Commission, 2005f

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Thailand is also a beneficiary of the EU’s GSP\textsuperscript{119}, especially in respect of its agricultural and fishery exports to the EU. As Cuyvers (1998:4) observes, among the top ten beneficiaries of the EU’s GSP (1995/1996) Thailand ranked in fourth place accounting for 7.7% in 1995 and 6.6% in 1996 of imports benefiting from GSP, following China (32% and 29.4%), India (11.6% and 9.9%), and Indonesia (8.9% and 7.5%). For example, Thai shrimp exporters had been benefiting from the EU’s GSP scheme, which allows the import duties on shrimps from Thailand at the reduced tariff rate; however, as Cuyvers notes, in December 1996, the Commission decided to halve Thailand’s GSP benefits for shrimps as from 1 January 1997, and to abolish these benefits as from 1 January 1999, in conformity with the provisions of Council Regulation 1256/96 (1998: 11-12). As a result, EU import duties on shrimps from Thailand were increased from 4.5-6% in 1996 (with the GSP rate) to 9.7-13.5% as from 1997, and then to 14.4-20.0% as from 1999. Therefore, with this higher tariff rate, as Thai officials noted, it was very difficult for Thai shrimp exporters to compete with other competitors for the EU market, for example, Indonesia and Malaysia, who still gained the EU import duties on shrimp at the GSP rate at 4.5%. The Thai shrimp exports to the EU reduced dramatically (Interview, Mission of Thailand to the European Communities, 13 September 2005, Brussels). This case on the graduation of Thai shrimp from the EU’s GSP scheme indicates a dependency of Thai trade on the EU market and in particular on the EU’s GSP scheme\textsuperscript{120}.

During the period 2002-mid 2003 there was also another difficulty facing Thai exports for poultry and shrimp based products, which are among the top Thai export products to the EU. The

\textsuperscript{119} In practice, the GSP is implemented through Council regulations during the ten-year cycle. Council Regulation (EC) No 2501/2001 contains the legal provisions for the GSP scheme applicable for the period of 01 January 2002 to 31 December 2005. However, a new GSP scheme was adopted on 27 June 2005 through Council Regulation (EC) No 980/2005, for the period of 1 January 2006 to 31 December 2008 (DG Trade website at http://europa.eu.int/comm/trade/issues/global/gsp/index_en.htm).

\textsuperscript{120} However, in 2005, Thailand received back the reduced tariff for shrimp exports to the EU under the EU’s new GSP scheme starting from January 2006 (Mission of Thailand to the European Communities, in www.thaieurope.net, 15 July 2005).
European Commission Delegation in Thailand reported: ‘in March 2002 the EC customs laboratories found cancer causing veterinary drugs, notably nitrofurans and chloramphenicols, in food products originating from Thailand’ (European Commission Delegation in Thailand News Releases, 2002b). Furthermore, in January 2004 there was confirmation of an avian influenza outbreak in poultry in Thailand and some other Asian countries, therefore, the Commission adopted in 2004 two decisions suspending the imports into the EU of chicken products and pet birds from all Asian countries affected by the disease, including Thailand (European Commission News, 2004b and 2004c). In 2005, avian influenza spread into Europe, and as a protective measure to prevent the wide spread of this avian influenza, the Commission extended the suspension of importation of fresh poultry meat from Thailand until September 2006\(^\text{121}\).

As agricultural products are the most important export products from Thailand to the EU, these problems of food quality and safety of Thai exports, have been a major concern of the EU, and have thus caused major problems for Thai exporters since the beginning of 2000 until recently. David Byrne, European Commissioner for Health and Consumer Protection (1999-2004), during his visit to Thailand in 2004 stressed to the Thai business community that: ‘Thailand’s ambitions of being a key player on the world market for food and foodstuffs will be strengthened by this commitment to food safety’ (Byrne, 2004). In this respect, the EU through the Bangkok Delegation has played a supportive role in assisting Thai/ASEAN exporters to overcome such problems, for example, by organising a seminar on food safety in May 2004 – a pilot initiative under the EU’s TREATI (mentioned in Chapter 5) – to inform them on the EU’s rules and regulations on this particular issue. This indicates the Delegation’s role as trade facilitator and its task in implementing TREATI at the bilateral level (See Section 6.4.2).

\(^{121}\) However, although the EU has banned fresh/or frozen poultry meat products from Thailand, processed/boiled chicken meat products can still be exported to the EU (Thai Agricultural Office in Brussels, at www.thaieurope.net, 20 March 2005).
6.2.2 EU-Thai Commercial Relations: Investment

The evolution of EU FDI towards Thailand suggests a rather different story from trade. The EU FDI flow towards ASEAN and Thailand is still limited, compared to overall EU FDI outflows (see Figure 4.5 in Chapter 4) and compared to US and Japanese FDI flows to Thailand (See Table 6.7). Among ASEAN countries, EU FDI flows during 1999-2001 to Thailand only accounted for 9.8%, compared to 47.7% to Singapore, and 12.7% to Malaysia (See Figure 5.4 in Chapter 5). Moreover, in Thailand EU investors are also facing increased competition from Asian investors (outside Japan), from ASEAN countries themselves, South Korea, Taiwan and Hong Kong (European Commission, 2005g: 17)

Table 6.7 EU FDI Flows towards Thailand (compared with the US and Japan)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>1826</td>
<td>2174</td>
<td>3238</td>
<td>2885</td>
<td>834</td>
<td>780</td>
<td>369</td>
<td>20.71%</td>
</tr>
<tr>
<td></td>
<td>(10.1%)</td>
<td>(13.0%)</td>
<td>(22.9%)</td>
<td>(52.7%)</td>
<td>(25.0%)</td>
<td>(13.5%)</td>
<td>(15.6%)</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>6125</td>
<td>5005</td>
<td>4800</td>
<td>1162</td>
<td>663</td>
<td>2905</td>
<td>1042</td>
<td>-34.35%</td>
</tr>
<tr>
<td></td>
<td>(33.9%)</td>
<td>(30.0%)</td>
<td>(33.9%)</td>
<td>(21.2%)</td>
<td>(19.9%)</td>
<td>(50.4%)</td>
<td>(44.2%)</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>2004</td>
<td>2208</td>
<td>2630</td>
<td>400 (7.3%)</td>
<td>1137</td>
<td>1026</td>
<td>766</td>
<td>75.29%</td>
</tr>
<tr>
<td></td>
<td>(11.1%)</td>
<td>(13.2%)</td>
<td>(18.6%)</td>
<td>(34.1%)</td>
<td>(17.8%)</td>
<td>(12.5%)</td>
<td>(32.5%)</td>
<td></td>
</tr>
<tr>
<td>Asia NIEs</td>
<td>4101</td>
<td>4512</td>
<td>2689</td>
<td>592</td>
<td>436</td>
<td>1222</td>
<td>302</td>
<td>-57.15%</td>
</tr>
<tr>
<td></td>
<td>(22.7%)</td>
<td>(27.1%)</td>
<td>(19.0%)</td>
<td>(10.8%)</td>
<td>(13.1%)</td>
<td>(21.2%)</td>
<td>(12.8%)</td>
<td></td>
</tr>
<tr>
<td>Total Investment</td>
<td>18070</td>
<td>16675</td>
<td>14161</td>
<td>5478</td>
<td>3336</td>
<td>5759</td>
<td>2357</td>
<td>-17.04%</td>
</tr>
</tbody>
</table>
Furthermore, during the post-financial crisis period there can be observed a decline in EU FDI outflows towards Thailand, particularly from 1999 to 2003 (see Figure 6.6). Various reasons can explain this declining trend; among them are the impact of the 1997/1998 financial crisis and more importantly the growing attraction of China, India and other ASEAN countries as a better destination for foreign investment. This decline has been a concern of both Thailand and the EU.

The EC-Thailand Joint Statement between Thaksin Shinawatra, Prime Minister of Thailand and Romano Prodi, President of the Commission of the European Communities (1999-2004) announced in Brussels, 13 June 2002 emphasises the importance of investment by stressing ‘the potential of Thailand as a trade and investment hub in the region’. During his visit to Thailand (31 March-1 April 2004), the EU Trade Commissioner Pascal Lamy (1999-2004) strongly emphasised the concerns of European business that ‘…during 2002, foreign investment has continued to decrease, with European investment stagnating’ and ‘the EU has now lost its ranking as Thailand’s largest investor following the Asian crisis’ (Lamy, 2003). As for the reverse picture, Figure 6.6 indicates that compared to the EU investment flows into Thailand, the Thai investment flows into the EU during 1999-2003 were even more limited.

6.2.3 Economic and Development Co-operation

The 1980 EC-ASEAN Co-operation Agreement has been the main framework for bilateral exchanges, and there is no bilateral co-operation agreement between the EU and Thailand. In the absence of an EU-Thai Bilateral Co-operation Agreement, interregional co-operation and the ASEM dialogue process have been two main frameworks for bilateral exchanges. Through these frameworks, the Commission (2002d: 29) reported in 2002 a number of EU-supported projects/programmes in Thailand, both bilaterally (in the sectors of energy, public health, environment, narcotics, NGO co-financing, humanitarian assistance, for a total EC grant of 59.3 million Euros), and in the context of regional programmes (of benefit to Thailand), such as ASEAN co-operation (82.2 million Euros), Asia co-operation (166.4 million Euros), and ASEM co-operation (18.25 million Euros) (See Table 6.8).

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122 The 2003 ‘New Partnership with South East Asia’ strategy, with its ‘flexible’ approach paved the way for the new Bilateral Co-operation Agreement with different ASEAN countries within the interregional framework. In October 2004 during the ASEM5 Summit in Hanoi, Negotiations for Partnership and Co-operation Agreements (PCAs) between the EU-Thailand and between the EU-Singapore were launched confirming that the new Bilateral Co-operation Agreements with Thailand and Singapore were under negotiation. In the case of Thailand, the new Bilateral Co-operation Agreement was at its final stage in 2005 and is expected to be signed in 2006. More detail will be discussed in Section 6.2.5.
Table 6.8: EC-Projects/Programmes in Thailand (between mid 1990s-2002)

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of projects</th>
<th>EC grant (million €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>1</td>
<td>3.0</td>
</tr>
<tr>
<td>Public health/AID Programme</td>
<td>1</td>
<td>4.8</td>
</tr>
<tr>
<td>Environment/Natural resources</td>
<td>4</td>
<td>15.45</td>
</tr>
<tr>
<td>Rural development</td>
<td>2</td>
<td>24.50</td>
</tr>
<tr>
<td>Narcotics</td>
<td>1</td>
<td>0.60</td>
</tr>
<tr>
<td>NGO Co-financing</td>
<td>4</td>
<td>1.39</td>
</tr>
<tr>
<td>Humanitarian assistance to refugees/</td>
<td>9</td>
<td>9.56</td>
</tr>
<tr>
<td>displaced persons</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
<td><strong>59.3</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of programme</th>
<th>EC grant (million €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Education</td>
<td>2</td>
<td>9.74</td>
</tr>
<tr>
<td>Intellectual Property Rights and Standard</td>
<td>2</td>
<td>21.3</td>
</tr>
<tr>
<td>Energy</td>
<td>2</td>
<td>43.0</td>
</tr>
<tr>
<td>Environment</td>
<td>1</td>
<td>8.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7</strong></td>
<td><strong>82.2</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of programme</th>
<th>EC grant (million €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Higher Education</td>
<td>1</td>
<td>40.0</td>
</tr>
<tr>
<td>2. Investment and Promotion</td>
<td>1</td>
<td>45.0</td>
</tr>
<tr>
<td>3. Environment</td>
<td>1</td>
<td>8.0</td>
</tr>
<tr>
<td>4. Information Technology and Communication</td>
<td>1</td>
<td>25.0</td>
</tr>
<tr>
<td>5. Urban Cooperation</td>
<td>1</td>
<td>30.0</td>
</tr>
<tr>
<td>6. Transportation</td>
<td>1</td>
<td>15.0</td>
</tr>
<tr>
<td>7. Drug Abuse Prevention</td>
<td>2</td>
<td>3.2</td>
</tr>
<tr>
<td>8. Human Rights</td>
<td>1</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9</strong></td>
<td><strong>166.4</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of programme</th>
<th>EC grant (million €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Environment</td>
<td>1</td>
<td>3.25</td>
</tr>
<tr>
<td>2. Financial and Social Sector Reform</td>
<td>1</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2</strong></td>
<td><strong>18.25</strong></td>
</tr>
</tbody>
</table>

Source: European Commission, 2002d: 29
The substantial amount of financial assistance flowing from the EU to Thailand shown in Table 6.8 undoubtedly reflects the EU’s focus on using these co-operation programmes/projects as important tools to engage closer into the Asian region/Thailand, and particularly to produce tangible outcomes in promoting EU-Thai relations. Since the late 1990s, as already argued in Chapter 5, regional economic co-operation has increasingly been viewed as a significant EU commercial instrument to promote business co-operation and trade and investment ties between the EU and Asia. This similar trend can also be observed in the bilateral context between the EU and Thailand, as emphasised in the most recent EU country strategy paper towards Thailand.


In the Commission’s (2000e) National Indicative Programme (adopted as part of the EC-Thailand Country Strategy Paper 2002-2006), two important trends can be observed. First, there is a shift in EU financial assistance to Thailand from pure development co-operation towards more economic-oriented cooperation. The Commission emphasised: ‘Thailand’s socio-economic indicators are such that co-operation should be primarily economic and only exceptionally focus on development in key areas for national development where the EC could provide a real added value’ (2002d: 3). This confirms significant use of economic co-operation as a commercial tool to promote EU economic interests in Thailand. Secondly, there is an increased emphasis on bilateral
instruments, or in this case bilateral economic co-operation to promote trade and investment. As the Commission stressed, 'in view of the increasing importance of bilateral economic relations, and of the momentum initiated with the Doha Development Agenda, the EC’s bilateral co-operation strategy with Thailand will focus on technical assistance and capacity-building activities in the sectors of trade, investment, and related areas for sustained co-operation (focal area 1)' (2002: 3). This Commission attempt is thus translated into a new bilateral instrument called 'the EU-Thai Small Projects Facility (SPF)' proposed as part of this country strategy. The implementation of SPF projects in Thailand is managed by the Bangkok Delegation, which thus plays a financier role in supporting different commercial stakeholders in Thailand (See detail in Section 6.4.3).

6.2.4 Institutional Structures in EU-Thai Relations

Since the first ‘EC-Thailand Senior Officials’ Meetings’ (SOM) took place in Bangkok on 6 March 1992, EU-Thai bilateral issues have been addressed in this regular SOM led by the Commission on the EC side and by the Thai Ministry of Foreign Affairs on the Thai government side. At SOM7 on 28-29 March 2001, both sides agreed on the initiation of a new institutional framework in order to strengthen bilateral co-operation between the EU and Thailand. This new institutional framework, as the Commission noted, includes three significant developments:

First, the SOM is upgraded to the level of Permanent Secretary (Thai Ministry of Foreign Affairs) and Deputy Director-General (DG External Relations, the European Commission);

Second, regular political contacts between the Commission and the Thai Minister of Foreign Affairs will be organised in the margins of multilateral meetings (ASEM, ARF etc), on an annual basis if necessary, to review bilateral and regional/multilateral issues;
Third, a co-ordination mechanism, with 3-monthly meetings, is established to monitor ongoing co-operation at project level and to oversee the follow-up of new project proposals as well as to assess the overall co-operation (Commission, 2002d: 20).

While the first component means nomination of higher-level representatives from both sides, the second component shows deepening of bilateral relations within the regional and multilateral contexts. As a result of the third of these components, ‘the European Commission-Thailand Working Group’ was created and first met on 8 October 2002 as a new form of bilateral dialogue. As Klauspeter Schmallenbach, Ambassador-Head of the Delegation of the European Commission to Thailand at that time emphasised, ‘[it] is the ideal forum to deal with the efficiency and effectiveness of EU-Thailand cooperation. As a result, the annual EC-Thailand SOM will be able to devote more time to other key issues which will help give further impetus to our already healthy relationship’ (European Commission Delegation in Thailand News Releases, 2002a). The Working Group comprises three sub-Working Groups on co-operation (between the Commission and Thai Ministry of Foreign Affairs), on trade and investment (between the Commission and Thai Ministry of Commerce) and on agriculture (between the Commission and Thai Ministry of Agriculture) in which the Delegation in Thailand usually represents the Commission, if there is no representative from Brussels to join them (Interview, Thai Ministry of Foreign Affairs, Bangkok, Thailand, 18 September 2003).

After the adoption of this new institutional arrangement in 2001-2002, the recent EU-Thai bilateral institutional structure can be explained through three levels of cooperation as shown in Diagram 6.1: first, periodic meetings between the Minister of Foreign Affairs and Commissioner for External Relations, second, Senior Official Meetings (SOM), and third, Working Group meetings; however it must also be remembered that this EU-Thai bilateral cooperation is carried on within the broad regional framework of Asia, ASEM, and EU-ASEAN co-operation.
Observed through the bilateral institutional structure is an important role for the European Commission Delegation as an actor in managing the EU-Thai relations at the local level. This reflects the EU’s 'statelike' character which allows the EU to have its 'representation' in world arenas (multilateral and regional levels) and in third countries (bilateral level), though it is not a state in traditional terms. As already argued in Chapter 2, Section 2.3.2, although still operating alongside continuing activities of Member States, the Delegations as the Commission's external representation play a number of significant roles, particularly in the area of EU commercial diplomacy. These commercial roles of the European Commission Delegation in Thailand will be analysed in Section 6.4.

Diagram 6.1: EU-Thai Institutional Structure

6.2.5 Towards the EU-Thai Bilateral Co-operation Agreement

On the basis of the above institutional structures, it can be observed that the EU-Thai bilateral relations have been developed within the regional and interregional frameworks; but there is no Bilateral Co-operation Agreement between the two parties. In 2003, the Commission adopted a new strategy towards ASEAN and the South East Asian region which offered the possibility for a new Bilateral Co-operation Agreement between the EU and different ASEAN countries (See also Chapter 5, Section 5.3.3 and Footnote 122, page 242). Thailand was among the first ASEAN countries to express its interest in starting negotiations on a Bilateral Agreement with the EU, when the Thai Prime Minister visited Brussels in 2002 (even before the 2003 ASEAN strategy was officially announced). Negotiations for a Partnership and Co-operation Agreement (PCA) between the two parties were officially launched in the ASEM5 Summit in Hanoi, on 8 October 2005. Since then the negotiation process has started, and in 2005 the EU-Thai Bilateral Agreement is at its final stage, and is expected to be signed in 2006. This Agreement will be used as a model for other countries in the South East Asian region.\footnote{At the same time, the EU is also finalising the negotiation for a Bilateral Agreement with Singapore and is starting a negotiation process with Indonesia. The Philippines and Malaysia have also informally expressed their interests in starting negotiating such bilateral agreement with the EU. (Interview, European Commission, DG External Relations, Brussels, 23 September 2005).}

The most recent EC-Thailand Joint Statement between Thaksin Shinawatra, Prime Minister of Thailand and Jose Manuel Barroso, President of the Commission, announced in Brussels, on 12 October 2005, in the occasion of the Thai Prime Minister's visit to Brussels, underlines the importance of the new agreement between Thailand and the European Community as setting 'a modern policy agenda': apart from cooperation on trade and investment issues 'this agreement will also provide the basis for a new cooperative partnership in many other areas, particularly in science and technology research and alternative energy sources, which are crucial for sustained economic growth' (EC-Thailand Joint Statement, 2005).
A DG External Relations official emphasised the importance of this new agreement as 'a big step-forward in EU-Thai bilateral relations, particularly in terms of regulatory convergence', 'a symbol for an enhanced partnership' and 'a political signal for a better relations in the long-term future' (Interview, European Commission, DG External Relations, Brussels, 23 September 2005). Particularly for a closer co-operation on trade and investment issues, both parties will cooperate on the areas of Sanitary and Phyto-Sanitary (SPS) issues, Technical Barrier to Trade (TBT) issues, Customs cooperation and Trade Facilitation, Investment, Competition policy, Service, Intellectual, Industrial and Commercial Property Rights, and Tourism. More specifically, in order to facilitate business cooperation between the two parties the initiation of a Thailand-EU Business Forum is also emphasised in the draft Agreement. This Agreement will also cover cooperation in many new areas, for example, transport, environment, energy, Intellectual Property, education and culture, migration, etc (Interview, European Commission, DG External Relations, Brussels, 23 September 2005). This forthcoming EU-Thai Bilateral Co-operation Agreement, which aims at 'a forward-looking relationship with a more structured and strategic perspective' (EC-Thailand Joint Statement, 2005), indicates the EU's (particularly the European Commission's) increasing interest in formulating closer co-operation on the bilateral basis with Thailand.

Apart from investigating EU-Thai relations in terms of strategy formulation, in the next section the chapter will examine the European Commission Delegation's role as a commercial actor in Thailand, carrying on its bilateral dialogue with Thailand alongside Member State Embassies at the local level.

6.3 THE EU IN THAILAND: AN 'ON THE GROUND' INVESTIGATION

The overview of EU-Thai bilateral relations discussed in the earlier section has suggested that despite the importance of Thailand as one of the EU's key economic partners (particularly in
trade) in South East Asia, the Commission has not yet issued (or even planned to issue) a bilateral commercial strategy towards Thailand (as for example the EU does with its separate commercial strategies towards China as well as Japan). Although in 2002 the Commission adopted a country strategy paper for Thailand, it is not a commercial strategy as such but in fact represents a 'co-operation strategy' emphasising only EU-Thai co-operation issues and how to manage the EU's financial assistance towards Thailand through cooperation projects/programmes. Moreover, the Bilateral Co-operation Agreement, as mentioned earlier, is not yet signed.

In the absence of a distinct Brussels-originated commercial strategy towards Thailand, and of the Bilateral Agreement, this part of the chapter investigates what roles the EU plays and what instruments the EU has to manage its bilateral relations with Thailand at the local level. This focus on 'what actually happens' is argued in line with Bale's (2002: 16) concern with the importance of cooperation at the 'mundane' level and the roles of the European Commission Delegations in third countries, when he analysed CFSP. The chapter applies this mundane level of analysis to EU commercial diplomacy under the First Pillar, or more specifically to the European Commission Delegation as a form of 'commercial representation' in Thailand.

6.3.1 The European Commission Delegation in Thailand

The European Commission Delegation in Thailand was established in 1979 (at that time, also accredited to Burma/Myanmar, Cambodia, Laos, and Malaysia), as the first Delegation in the Asian region (even before India in 1983 and China in 1988). Since the late 1990s the European Commission has been expanding its network of Delegations in Asia, from 10 Delegations in 1994 to 19 Delegations in 2004, for example, some new Delegations were opened in Singapore (in January 2003) and in Malaysia (in April 2003) (See Table 3.1 in Chapter 3). The Delegation is led by a Head of the Delegation, which is equivalent to an Ambassador position. In applying Bruter's (1999: 196) classification of three types of Delegations, development-oriented, trade-
oriented and mixed – three emphases which are different in different host states, the chapter argues that the Delegation in Thailand seems to represent a move from a development-oriented role in the 1980s towards a mix of development and trade-oriented roles in the 1990s and more recently. This can be linked to the increased importance of Thailand and Asia as markets for the EU and European companies. Therefore, among the three divisions of political section, project and operations section, and trade and economic section shown in Diagram 6.2 of the organisation chart of the Delegation in Thailand, it appears that the two legs of project and operations, and trade and economic are dominant. Hence, the tasks and activities of the Delegation in Thailand focus mainly on the issues of development and economic co-operation (recently towards an increasing importance of economic co-operation projects) and trade and economics (with the establishment of a BIC in 2004) (See Section, 6.4.2 and 6.4.3).

More specifically, while trying to understand the commercial roles played by the European Commission Delegation in Thailand, one has to bear in mind that the EU is not a state, but performs some state-functions. Therefore, rather than being recognised as an ‘EU/European Embassy’, the Delegation can be viewed as one of a group of ‘Embassies without a state’ (Bruter, 1999: 183). The European Commission Delegations in third countries still exist alongside the Member State Embassies, who represent individual Member States and continue to protect and promote Member States’ national interests in traditional statehood terms. This results in a ‘double-representation’ between the Delegation and Member State Embassies in Thailand.
6.3.2 European Commission Delegation as Part of Commercial Networking Process

Alongside the Delegation and Member State Embassies, there can also be observed in Thailand a variety of commercial stakeholders/actors, including for example business (both European business and local business), Chambers of Commerce and other business organisations and associations. It is argued that these commercial stakeholders/actors are mutually engaged and interact within what can be termed a process of 'commercial networking', in which the Delegation plays its own commercial roles (in its own right), but alongside Member State Embassies and other commercial actors. The commercial stakeholders/actors within this commercial networking process observed from the case of the EU in Thailand can be identified as follows:

124 This chapter focuses on investigating the EU as a commercial actor in Thailand. In doing so, an empirical research was conducted by the author through a wide range of method of interviews, questionnaires, networking and constant contacts with policy-makers, both in Brussels, in Thailand. See a list of interviews in Bibliography, page 316.
European Commission Delegation and Member State Embassies: Double-Commercial Representation

All 25 EU Member States have their Embassies and Consulates in Thailand and their main duty is to represent their national interests as would be accepted in the traditional statehood concept, and to coordinate their inter-state relations with Thailand at bilateral level. In 1979, the Commission opened its external service in Thailand, the European Commission Delegation, working alongside, rather than replacing, the Member State Embassies. As the Commission stressed, ‘the Delegations are not there to “compete” with Member State Embassies...the task of the Delegations, beyond the representation of Community interests, is one of co-ordination and cooperation in the interests of projecting the image of a Union which is active, imaginative and united’ (2001f: Paragraph 1.2). In focusing particularly on the area of EU commercial diplomacy, the Commission notes that ‘the Delegation exercises powers conferred by the treaty on the European Community, in third countries, by promoting the Community’s interests as embodied in the common policies, chiefly the CCP, but also many others, including the agricultural, fisheries, environmental, transport and health and safety policies’ (DG External Relations Website at http://europa.eu.int/comm/external_relations). This means that the European Commission Delegation represents the EU, deploying its own commercial instruments and strategies, playing roles as a commercial actor, and engaging other commercial stakeholders, particularly in the area of the EU commercial policy, and the other policies under the First Pillar, where the EU has an exclusive competence; however this representation exists alongside that of Member State Embassies. This then leads to a form of ‘double-commercial representation’ between two European commercial actors – the Delegation and the Embassies.

While the Embassies represent the Member States’ national interests and the Delegation represents the EU’s ‘common’ interests at the local level, it is impossible to deny that their works
and responsibilities are sometimes overlapping. This in turn links to the earlier discussion of the EU’s ‘statelike’ character in its commercial diplomacy, and particularly to the problem of divided commercial competence between the EU and Member States within a complex decision-making process (discussed in detail in Chapter 2). Thus, it is interesting to investigate the way in which the Delegation and Member State Embassies co-operate as European commercial representation in ensuring the ‘common’ position of the EU, and especially in engaging and assisting European business and in interacting with other commercial actors in the process of commercial networking in Thailand (See more detail in Section 6.3.3).

Business Stakeholders
‘European business’ is a vague concept, representing a variety of business interests and objectives. Among European firms, differences in nationality and in focus of activities matter. On the one hand, European business still represents strong ‘national-champions’ rather than ‘European champions’. Interviews conducted in Thailand with European business communities, Member State Embassies, and national Chambers of Commerce (December 2002-September 2003) suggest that European firms do not seem to be united, rather they are diversified in interests, strategies, languages and business cultures, and they prefer to seek initial support and contact from their national Embassies, national business organisations and Chambers of Commerce. As we shall see, while also recognising this fact, the EU does not aim to replace the works of Member State Embassies and national business organisations, but rather to support and cooperate with them in assisting European business.

Not only nationality but also size of business does matter. Big and internationally competitive firms are likely to depend more on their own business strategy and their own connections and bargaining power, and less on the EU, while SMEs seek more support from both the EU as well as Member States in terms of market access, lobbying and reducing trade and
investment barriers. While the AEBF - the EU formal channel for business engagement at the transregional level - targets particularly big business, it can be noted that EU business engagement strategies and instruments at the interregional and bilateral levels mostly aim at assisting SMEs.\(^{125}\)

It is also crucial to emphasise the competition among European businesses. Following Stopford and Strange’s argument about the competition among firms in Triangular Diplomacy, it is not surprising that European firms might also compete among each other for market access in shared sectors in the host country, and that European firms who already established their bases in the host country might try to protect their local market from new competitors, even from the same country. Such diversity in the notion of ‘European business’ also means that it is rather difficult to define their ‘common’ interest. Nonetheless, a Commission official still emphasised that ‘the Delegation only works to defend the collective interest of European business as a whole, not of a particular company or of a particular Member State’ (Interview, European Commission Delegation in Thailand, Bangkok, 26 August 2003).

When aiming to analyse different business stakeholders whom the EU aims to engage at this bilateral level, there is a need to distinguish between ‘home’ and ‘host’ firms. From the EU perspective, ‘home firms’ always refer to European firms that seek market access to Asia and Thailand, and European firms who have already established their bases in the host country, while ‘host firms’ mean local (Thai) business.\(^{126}\) In this respect, it is clear that the Delegation needs to have a variety of commercial instruments, strategies, roles in engaging and assisting different business stakeholders in this process of commercial networking in Thailand. A number of

\(^{125}\) For example, the Asia-Invest and EBIC programmes, dealt with in detail in Chapter 5, can be seen as one of the Commission’s instruments in promoting business co-operation among SMEs between Europe and Asia (See Chapter 5, Section 5.4.2 and 5.4.3).

\(^{126}\) The focus of this chapter is in fact on the European home firms (on how and in which way the EU engages and incorporates European business interests as part of its commercial diplomacy); however the host firms (local firms) are also involved in the broader picture. This is because the EU (through the Delegation) does also assist them in accessing the EU markets.
commercial strategies, instruments and roles deployed by the Delegation will be explored further in Section 6.4.

**Chambers of Commerce and Other Business Associations**

Apart from Member States Embassies and the European Commission Delegation, there can be observed other national business associations, i.e., Chambers of Commerce, who play crucial roles in supporting and assisting European business in specific national contexts. In Thailand, all foreign Chambers of Commerce, including all Chambers of Commerce of European countries, are legal entities, official groups registered with the Thai Ministry of Commerce, and each chamber president is a director to the Board of Trade of Thailand (BOT). All foreign Chambers of Commerce in Thailand are members of the umbrella organisation the Joint Foreign Chamber of Commerce in Thailand (JFCCT), comprising 22 foreign Chambers of Commerce and 3 Business Associations in Thailand. Apart from their individual networking and lobbying activities, the Chambers of Commerce from different European countries also coordinate under the JFCCT activities and coordinate among themselves via their regular meetings. Table 6.9 shows a list of Chambers of Commerce from different EU countries in Thailand.

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127 All foreign Chambers of Commerce are established under Thai Chamber of Commerce Law, 1966 which does not allow the establishment of ‘European Chamber of Commerce’ as one legal entity, but only ‘bilateral’ Chambers, for example, Franco-Thai Chamber of Commerce, German-Thai Chamber of Commerce (Interview, Franco-Thai Chamber of Commerce, Bangkok, 15 September 2003).
Table 6.9: List of Chambers of Commerce of EU Countries in Thailand

<table>
<thead>
<tr>
<th>Chambers of Commerce of EU Countries in Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium-Luxemburg/Thai Chamber of Commerce (BLTCC)</td>
</tr>
<tr>
<td>British Chamber of Commerce Thailand (BCCT)</td>
</tr>
<tr>
<td>Danish Chamber of Commerce in Thailand (DCCT)</td>
</tr>
<tr>
<td>Franco-Thai Chamber of Commerce (FTCC)</td>
</tr>
<tr>
<td>German-Thai Chamber of Commerce (GTCC)</td>
</tr>
<tr>
<td>Polish-Thai Business Club (PTBC) (joining the EU after 2004)</td>
</tr>
<tr>
<td>Thai-Finnish Chamber of Commerce (T-FCC)</td>
</tr>
<tr>
<td>Thai-Italian Chamber of Commerce (TICC)</td>
</tr>
<tr>
<td>Thai-Swedish Chamber of Commerce (T-SCC)</td>
</tr>
<tr>
<td>The Netherlands-Thai Chamber of Commerce (NL-TCC)</td>
</tr>
</tbody>
</table>

Source: European Commission Delegation in Thailand Website

It is important to note that while only 11 of the 25 Member States' businesses are represented through their national business associations\(^{128}\), the others - mostly from new EU Member States - do not have their own business representations in Thailand. Their Embassies and Consulates in Thailand, if they have one, are responsible for this task and activities. It is important to note here some overlapping and interchangeable roles and responsibilities between the Chambers and the Member State Embassies. Both of them work closely in supporting day-to-day activities of their business and firms. For example, Member States like Spain and Austria do not have their own Chambers of Commerce in Thailand; in this case, their Embassies deal with all economic and commercial issues between their home countries and Thailand. (Interview, Embassy of Spain, Bangkok, 11 September 2003 and Interview, Austrian Embassy, Bangkok, 16 September 2003).

Another point to bear in mind when analysing the network of Chambers of Commerce in Thailand is that unlike in some other Asian countries, for example in the Philippines, Vietnam, South Korea, where there exists a 'European Chamber of Commerce' as a single organisation

\(^{128}\) Belgium and Luxemburg are represented through one Chamber, the Belgium-Luxemburg/Thai Chamber of Commerce (BLTCC).
playing an active role in assisting European business, there is no 'European Chamber of Commerce' as one legal entity in Thailand (See Footnote 127, page 256). There only exists a loose network among them. Although there have been attempts by the Commission to encourage the establishment of a European Chamber of Commerce in Thailand, 'this attempt proved problematic and unsuccessful' (Interview, Franco-Thai Chambers of Commerce, Bangkok, 15 September 2003).

Not only does a European Chamber of Commerce not exist in Thailand as a distinct entity, but also different Chambers of Commerce of Member States vary in aims, focuses, sizes and structures. For instance, the German-Thai Chamber of Commerce (GTCC), established in 1962, seems to be the biggest in terms of organisation with almost 40 staff and about 500 Membership, while the British Chamber of Commerce (BCCT), established earlier in 1946, is the oldest with about 580 Members but only 7 staff. Some Chambers have wider scope of activities, roles and responsibilities than the others. The GTCC deals with both business networking and trade and investment promotion activities between Germany and Thailand, while most other Chambers in Thailand only represent business and social networking among business people from their home countries in Thailand, leaving trade and investment promotion tasks to their national Embassies. For example, the French Economic and Commercial Section in the French Embassy is a relatively large organisation with approximately 22 staff, not only dealing with broader bilateral economic and commercial relations between France and Thailand but also being responsible for trade and investment promotion activities (Interview, French Embassy in Thailand, Bangkok, 3 September 2003), while the FTCC, with 7 staff, only aims at building business networking among French business in Thailand (Interview, Franco-Thai Chamber of Commerce, Bangkok, 15 September 2003). This is the same in the British case, where the BCCT

129 By transferring trade and investment promotion tasks to the GTCC, the German Embassy deals only with the broader bilateral economic and commercial policy between Germany and Thailand (Interview, Embassy of the Federal Republic of Germany, Bangkok, 13 August 2003).
only aims to support British business networking in Thailand (Interview, the British Chamber of Commerce Thailand, Bangkok, 27 August 2003).

Moreover, smaller Chambers of Commerce, for example the Thai-Italian Chamber of Commerce (TICC), the Netherlands-Thai Chamber of Commerce (NL-TCC) and Belgium-Luxemburg/Thai Chamber of Commerce (BLTCC) also focus mainly on building business networking among their businesses in Thailand, while their Embassies are responsible for trade and investment promotion (Interviews, Royal Embassy of Belgium, Bangkok, 16 September 2003; Interview, the Embassy of Italy, Bangkok, 15 September 2003; Interview, Royal Netherlands Embassy, Bangkok, 18 September 2003).

The lack of a ‘European Chamber of Commerce’ as one entity in Thailand supports the point noted earlier that in Thailand European businesses still seek initial business contacts through their national Chambers of Commerce and Member State Embassies, representing their characteristics as ‘national champions’, rather than ‘European champions’. A main duty of these national Chambers of Commerce is, therefore, to assist business from their home countries (those that are members of the Chamber) to do business in the host country by, for example, providing them with market information and business consultancy, building business and social networking in the host country, solving business disputes, lobbying the host government for particular business issues, and organising match-making events and trade fairs. These activities aim at supporting and promoting trade and investment ties between Thailand and their home countries.

The above observation suggests that in supporting the works of Member State Embassies, the national Chambers of Commerce also play useful roles in assisting European business in Thailand. Thus, they should be taken into account as part of the commercial networking process.
6.3.3 Uneven Relationships but Effective Division of Labour within the Commercial Networking Process

The European commercial actors – both states, firms, and the EU represented by the European Commission Delegation – already identified in the preceding section interact and are mutually engaged within the process of commercial networking. In this section, the chapter aims to explore how these groups of European commercial actors are related to one another. Research conducted by the author suggests that within this commercial networking process, a set of ‘uneven’ relationships among them can be observed. While there is a close ‘diplomatic co-operation’ between the Member State Embassies and the Delegation with a clear division of labour regarding the shared EU-Member State commercial competence and a close relationship among Member State Embassies, national Chambers of Commerce and business from their home countries, however, there exists a wide gap between the Delegation and business. These uneven relationships can be explained in details as follows:

**Diplomatic Co-operation**

As noted earlier, the European Commission Delegation and the Member States Embassies can both be seen as forms of local commercial representation, and the EU through the European Commission Delegation in many significant respects exercises commercial autonomy and competence (though still shared with the Member States Embassies). Though being recognised as a double commercial representation at this local level, they seem to closely coordinate, particularly in representing European business interests.

Observations made by the author suggest that all EU trade policy issues and other commercial issues which fall under the Union’s exclusive competence, for example, WTO and agricultural issues, have been transferred to the Delegation, however, the Embassies still retain their commercial competence on investment and trade and investment promotion, and still assist
the businesses from their home country in solving particular business disputes/problems. As an EU official at the Delegation in Bangkok emphasised, 'if the trade disputes either fall under the EU's commercial competence or concern the common European interest, the Embassies transfer the case to the Delegation' (Interview, European Commission Delegation in Thailand, Bangkok, 26 August 2003), though one has to bear in mind that to distinguish a 'common' interest of the EU from the interest of Member States is rather difficult.

Interviews conducted with a number of EU and Member State Embassy officials, particularly commercial attachés in Thailand\textsuperscript{130} provided evidence that Member State Embassies and the Delegation do cooperate and play distinctive roles in assisting different business stakeholders, defending the interests of European business in Thailand, and promoting trade and investment between the two regions. Importantly, there exists an effective division of labour between them identified by the EU-Member State commercial competence formulated in Brussels. While commercial competence issues have been the focus of a long, on-going debate between the Commission and the Member States (through the Council) in Brussels (observed in Chapter 2), the chapter, instead, observes a pattern of more 'cooperative' relations between the EU and Member States, particularly among the commercial attachés and counsellors of the Delegation and Member State Embassies, at this local level. 'Diplomatic co-operation' (Bale, 2002: 16) in the area of commercial diplomacy thus exists in Thailand.

Moreover, as a commercial attaché of the Delegation stressed, there is once a month meeting among the commercial attachés from the Delegation and Member States Embassies in order to discuss bilateral commercial issues between the EU and Thailand (Interview, European Commission Delegation in Thailand, Bangkok, 26 August 2003). A number of interviews with commercial attachés and counsellors of different Member State Embassies in Thailand also confirmed a helpful and co-operative role of the Delegation, particularly in the area of trade.

\textsuperscript{130} See interview list in Bibliography, page 316.
policy (Interviews, Bangkok, August-September 2003). An official from the French Embassy in Thailand, for example, emphasised, ‘in a country without the European Commission Delegation, the work on trade and commercial issues of the Embassy can be more difficult; the Delegation has been very helpful for us’ (Interview, French Embassy in Thailand, Bangkok, 3 September 2003).

**Closer Relationship among Member State Embassies, Chambers of Commerce and Business**

It is not surprising that the Member State Embassies and the national Chambers of Commerce have closer relations with the European business communities in third countries than do EU bodies. This relates to what the chapter has argued before about support for ‘national champions’, rather than ‘European champions’, and the vague identity of ‘European’ business. Both Embassies and Chambers of Commerce usually have direct contact with business from their home countries in the process of representing and defending their interests in Thailand. For instance, the GTCC serves German business communities in terms of trade and investment promotion, business consultancy and networking; and French business also has very close contact with the French Embassy in terms of trade and investment promotion and relies on the Franco-Thai Chamber of Commerce in terms of business networking. A senior official from the Franco-Thai Chamber of Commerce pictured the close co-operation among French commercial organisations in Thailand as a ‘triangle of networking between the French Embassy, Chamber and business’, but rather noted ‘the irrelevant role of the EU within this network’ (Interview, Franco-Thai Chamber of Commerce, Bangkok, 15 September 2003). This indicates that nationality does matter. The Member State Embassies with close co-operation with their national Chambers of Commerce represent national business interests in Thailand and promote trade and investment between Thailand and their home countries in traditional statehood terms. The EU does not have a competence on this trade and investment promotion.
European Commission Delegation-Business Gap

While the close relationships between the Embassies, the national Chambers of Commerce and business can be observed, there appears to be a gap in Delegation-business relations. Rather than having direct contacts with business or dealing with day-to-day business activities, the Delegation intentionally plays only a background/framework, and neutral role in supporting business. As a senior commercial attaché of the Delegation noted: ‘the EU has to play a neutral role in assisting business... it cannot act on behalf of one particular company or Member State. A business problem has to involve a common interest of EU/European business as a whole, otherwise the EU cannot intervene’ (Interview, European Commission’s Delegation in Thailand, Bangkok, 26 August 2003).

As a result of this background/framework role, the Delegation’s profile is relatively low among the business communities in Thailand. Even contact between the national Chambers of Commerce and the Delegation has hardly existed. Both business communities and the national Chambers of Commerce usually contact their national Embassies first, not the Delegation. However, while it is important to note that for Chambers of Commerce of bigger Member States, a stronger and more proactive role for the Delegation seems to be unnecessary, different views can be observed from some Chambers of Commerce and Embassies from smaller Member States, for example, Belgium, the Netherlands, Spain, and Italy. These organisations seem to be more optimistic about a stronger and more active role of the Delegation, in order to supplement their bargaining power in the host country.

Recognising this wide gap, in 2004 the Delegation, despite a monthly meeting among commercial attachés from the Delegation and Member States Embassies, aimed to initiate more regular meetings between the Delegation and Chambers of Commerce in order to gain more market access information from business and to communicate more with the business community.
(Interview, European Commission Delegation in Thailand, Bangkok, 14 July 2004). This in a way
reflects a new attempt on the part of the Delegation to play a more proactive role in engaging
business in Thailand.

**Effective Division of Labour**

Despite the uneven relations discussed earlier, this investigation of the commercial networking
process in Thailand has shown that different European commercial actors within the process
perform distinctive roles in engaging different business stakeholders, reflecting an 'effective
division of labour' within this networking process. As already argued, in terms of the shared EU-
Member State commercial competence, the EU has its exclusive competence in trade policy, and
thus all trade policy related activities have been referred to the Delegation, while other
commercial issues, such as trade and investment promotion and investment issues which are still
under the Member States' competence, fall under the Embassies' responsibilities and tasks. As a
result, on the one hand, the Embassies play a crucial role in promoting trade and investment
between Thailand and their home countries and dealing with particular business interests of their
home businesses. On the other hand, the Delegation plays only a background/framework role, for
example by facilitating trade and investment, reducing trade and investment barriers, setting up a
framework for a better market access, to support both European ‘home firms’ who are looking for
market access into Thailand and local firms looking for market access into the EU market. In
addition, the national Chambers of Commerce, who usually have closer contacts and relations
with business, play a crucial role in assisting day-to-day business activities. They mainly engage
and serve the interests of European businesses who have already established their bases in
Thailand (or European home firms) in terms of business and social networking.

In this respect, the Embassies’ and Chambers of Commerce’s roles and duties in Thailand
can be easily understood by representing national ‘state’ interests in traditional terms; however
the Delegation represents the collective interest of the EU. The roles of the Delegation – which reflect some ‘statelike’ characteristics of the EU – are worth investigating in more detail: what roles and in which way the Delegation can play in representing, defending and promoting ‘common’ interests of European business in Thailand?. The next section is devoted to a more detailed exploration of this issue.

6.4 ROLES OF THE EUROPEAN COMMISSION DELEGATION IN THAILAND

In the previous part the chapter has investigated a broad picture of interconnected relations between commercial actors within a process of commercial networking in Thailand. This part of the chapter aims to specifically explore what roles the European Commission Delegation plays in this networking process, what instruments it has and how it can translate these instruments and roles into engagement with different business stakeholders at the bilateral level. The roles of the Delegation in relation to business engagement as observed in the case of Thailand are: market opener, trade and investment facilitator, financer, and co-ordinator, reflecting the mix between trade and development oriented roles of the Delegation, and more generally, some statelike characteristics of the EU as a commercial actor.

6.4.1 Market Opener

Since the mid-1990s business engagement has become a significant part of the EU’s commercial diplomacy towards third countries, including those in Asia. As already argued in detail in Chapter 2, the EU’s market access strategy can be seen as part of this business engagement trend. The Commission officially adopted in 1996 its first market access strategy focusing on supporting European business in accessing the third country markets. Since then, the EU has emphasised the issue of market access as a means to improve European competitiveness in the global political economy. Thailand – one of the most attractive markets in South East Asia – is no exception in the implementation of these market access strategies.
While the Member State Embassies and the national Chambers of Commerce assist their home businesses in accessing the third country markets on a day-to-day basis, the Delegation also plays a crucial role as a ‘market opener’ in assisting business at the background/framework level, facilitating trade and investment, reducing trade and investment barriers, ensuring fair market access and confirming that the host country complies with international commitment (chiefly WTO rules). As the Delegation in Bangkok has explicitly stated: ‘the EU has taken a proactive and practical stance in assisting its exporters enter the Thai market...this is done by identifying obstacles to trade and when necessary providing assistance in eliminating these barriers in order to ensure trade partners comply with their international commitments’ (The Delegation of the European Commission’s Website). In order to perform this market opening role, as an EU official at the Delegation in Bangkok emphasised, ‘the Delegation has a close co-operation with Member State Embassies in following market access complaints received from the business community’ (Interview, European Commission Delegation in Thailand, Bangkok, 26 August 2003).

The same official also explained that European companies can report business problems/disputes and trade and investment barriers impeding their access to the Thai market, either to their Embassies or directly to the Delegation. This suggests that the issue of shared commercial competence between the EU and its Member States relates to the division of labour, roles, and activities of the Delegation and Member State Embassies at this local level. In this respect, the Embassies play a significant ‘middle man’ role in transferring business complaints and requests they receive from their businesses and Chambers of Commerce, if they fall under the EU’s exclusive competence, to the Delegation. Closely collaborating with the Commercial Sections of the Member State Embassies, the Delegation investigates and follows up these market access complaints, but only if they affect the European ‘common’ interest as a whole. However, where business complaints belong to Member States’ competence, involve particular national interests, or involve particular company interests, the Embassies and/or Chambers of Commerce
have to manage such complaints under Member States’ competence on behalf of the business (Interview, European Commission Delegation in Thailand, Bangkok, 26 August 2003).

Nonetheless, to distinguish the ‘common’ interest of the Union from the Member States’ and to decide which case the EU could assist is not easy for the Delegation; against this background it is understandable that the Delegation seems to be sensitive to the possibility of bias by assisting one particular European Member State/company, but not others.

This Delegation role of following and investigating business complaints follows one of the Commission’s important instruments for gaining market access, the TBR (See Chapter 2, Section 2.4.2). The TBR can be seen as the Commission’s unique tool which seeks to defend the interests of European businesses in third markets, and the Delegation plays a crucial role in implementing this instrument at the local level. In order to take action (where business complaints fall under the EU’s common interest and its exclusive competence) to solve business problems, the EU has two available instruments: the use of WTO dispute settlement at the multilateral level, and/or the use of diplomatic pressure (through the Delegation) by lobbying related organisations in opening particular market sectors at the bilateral level. In fact, before the complaints are sent to the Commission in Brussels, the Delegation also plays a crucial role in receiving and refining complaints from the business community, and usually takes action by lobbying the host government for market opening. This market opening role of the Delegation reflects the significant degree of local commercial autonomy the Delegation has particularly in the trade policy area, and thus some statelike functions of the EU (particularly the Commission’s) activities in Thailand.

Although the Commission’s commercial competence in the area of WTO dispute settlement is potent, in practice there is only a small number of cases in which the EU intervenes to defend the interests of European business through the WTO channel, as most of them could be solved at bilateral level or by diplomatic pressure/or lobbying of the Delegation and/or the
European Commission in Brussels. In the case of Thailand, an official from the Delegation in Bangkok emphasised that: while receiving and refining business complaints, the Delegation mostly takes action at the bilateral level by directly contacting the Thai government organisations who deal with particular sectors and problems. Examples of some successful cases when the Delegation assisted European companies to enter the Thai market are to be found in the cosmetics, alcohol and automotive sectors (Interview, European Commission Delegation in Thailand, Bangkok, 14 July 2004). This implies a crucial role for the Delegation as a market opener on the ground.

There is no question that the market opening role of the EU, particularly the Delegation, can be useful for business. However, businesses also have to be assertive and make a complaint either to the EU or Member State Embassies when there is a discrimination problem against them in the local market. As was also stressed by an EU official, ‘the business has to inform the Delegation of their problem and it has to be a “discrimination problem”, so that the Delegation can play its market opening role’ (Interview, European Commission Delegation in Thailand, Bangkok, 14 July 2004). This implies that the market opening role of the Delegation is only at the background and framework level.

6.4.2 Trade and Investment Facilitator

Another significant role of the Delegation observed in Thailand is that of trade and investment facilitator. When trying to understand this Delegation’s role, it is important not only to be aware of the unevenness of EU-Member State commercial competence in trade and investment, but to distinguish between the action of ‘facilitation’ and ‘promotion’. This part of the chapter aims to explore both trade-investment competence and facilitation-promotion issues, by arguing that the Delegation only plays the role of trade and investment facilitator, rather than that of promoter.
Trade Facilitation

Although trade policy falls under the EU’s commercial competence, research conducted by the author suggests that the role of the Delegation in Thailand appears to cover only trade facilitation, but not trade promotion. Rather, the Member State Embassies, in co-operation with the national Chambers of Commerce, deal with trade promotion and day-to-day business activities, for example, business consulting, match-making service, organising trade fairs, and assisting their businesses on particular business disputes and problems. Examples of EU attempts to play such a trade facilitation role at this local level can be observed from the establishment of the EBIC programme in 1999 and the BIC under the management of the Delegation in 2004, as well as the implementation of TREATI at the bilateral level.

The first attempt of the EU to play a trade facilitation role was the establishment of a EBIC office in Thailand in 1999 (as well as the EBIC offices in other Asian countries) as an EU-level ‘service’ agency to assist business at the local level by help facilitating trade, putting the EU closer to business communities, particularly in the area of trade, and providing information on the Single European market (See also Chapter 5, Section 5.4.2). However, following the shared European Commission-Member State commercial competence, the EBIC was supposed to deal only with requests from Thai businesses or the ‘host firms’, while the Member State Embassies and their national business associations deal with their home businesses or the ‘home firms’, as well as other requests relating to trade promotion. As the Commission explicitly stressed in its strategy paper for establishing the EBIC in Thailand: ‘information requests from EU companies or associations of EU companies will be referred by the EBIC to the commercial section of the Embassy of the enquirer’s country, or to any other competent agency of the country, while information requests from companies or associations of the host country [in this case Thailand] will be dealt with by the EBIC’ (EuropeAid Co-operation Office, 2004a).
However, in practice, to achieve the EBIC aim of ‘acting in a manner complementary to the public and private sector agencies of the member states to increase the capacity of Asian business to engage in mutually beneficial linkages with EU businesses’ (EuropeAid Co-operation Office, 2004a) as the Commission expected, proved more difficult. Despite some successful experience with the EBICs in other Asian countries \(^{131}\), the EBIC in Thailand instead created some confusion and overlaps in tasks and activities between the EBIC and national Chambers of Commerce. Hence, the EBIC in Thailand faced a number of operational problems from its establishment in 1999 and was closed in the same year after only a few months of operations (Interview, European Commission Delegation in Thailand, Bangkok, 26 August 2003). The past experience of the EU with the operation of EBIC in Thailand led to an increasing sensitivity on the part of the EU in distinguishing between ‘trade facilitation’ and ‘trade promotion’ issues.

In May 2004, the Delegation made a new attempt to establish a ‘Business Information Centre’ (BIC) – a department under the Delegation –, which focuses mainly on trade facilitation in line with the aim of the EBIC. An EU official responsible for the BIC at the Delegation in Thailand stated that: ‘while internalising some of EBIC tasks, the BIC emphasises giving information on rules and regulations of the European Single Market and targeting only Thai companies to enter the EU market...The BIC is seen as the main entry point of essential trade-related enquiries of local business about the EU market’ (Interview, European Commission Delegation in Thailand, Bangkok, 14 July 2004). The BIC services include:

(i) EU market access information: customs and tariffs, environmental requirements, food safety legislation, standards and technical certification, Intellectual property, statistical data;
(ii) Building capacity of Thai businesses: organising seminars, workshops, and other public events focusing on issues related to doing business with the EU;
(iii) Promoting EU-Thailand cooperation programmes: Asia Invest, Asia Pro-Eco, Asia-IT&C, and the SPF;

\(^{131}\) It is important to note here that the EBIC is some Asian countries were more successful than in the others, depending on the particular business environment in different Asian countries.
(iv) Raising the profile of the EU: increasing the visibility of the EU in Thailand and encouraging cooperation among the EU business community (European Commission Delegation in Thailand, No Date).

It is important to note that the BIC focuses mainly on assisting Thai and local firms accessing the EU market, but 'not offering assistance in trade promotion – e.g. by looking for potential joint venture partners – this is not the competence of the Delegation', an official at the Delegation in Bangkok strongly emphasised (Interview, European Commission Delegation in Thailand, Bangkok, 14 July 2004).

Apart from EBIC and BIC, another example of the Delegation’s trade facilitator role worth mentioning here is the implementation of TREATI at the bilateral level. Although the TREATI represents a new ‘trade action plan’ for ASEAN (See Chapter 5, Section 5.3.3), the Delegation in Thailand plays an active role in implementing the TREATI activities by organising a number of seminars and conferences at the bilateral level, for example a TREATI seminar on food safety in 28 May 2004 in Thailand, which 'brought together some 300 members of food exporting industries, local authorities and inspection bodies as well as traders and experts from across the ASEAN region’ (European Commission Delegation in Thailand New Releases, 2004) in order to give them information on the EU’s rules and regulations on food safety, thus helping Thai exporters access the EU market, and facilitating trade between the two regions.

Investment Facilitation

Although investment is not yet under the EU’s commercial competence, the Delegation has also cooperated with Member States and played a useful role in facilitating and setting up a framework for investment, which means to reduce investment barriers, to ensure a fair and opened investment environment, and to confirm that Thailand complies with its multilateral commitments (chiefly WTO rules).
Not only the Delegation, but the Commission in Brussels also plays a significant role in assisting European investors to enter the Thai market. One classic example of the EU’s lobbyist role in relation to investment facilitating and market opening for investment in Thailand is the case of telecommunications. The liberalisation process for telecommunications in Thailand has been difficult and delayed and the telecommunication sector has become one of the concerns for European business, particularly European telecommunication businesses investing in Thailand, under the management of Prime Minister Thaksin Shinawatra, a telecom tycoon elected in 2001.

Among the three mobile telecoms providers in Thailand, the Prime Minister’s family-owned Advanced Info Service (AIS)\textsuperscript{122} leads the market, followed by its major competitor, Total Access Communication (DTAC), of which Norway’s Telenor AS owns 29.94 %\textsuperscript{133}. Moreover, in 2001, France Telecom entered the Thai mobile phone market through Orange SA\textsuperscript{134} joint venture with TelecomAsia (TA)\textsuperscript{135}. However, after only a short period of operation in Thailand, in March 2004, Orange sold 39 per cent of its stake back to TA, giving TA full management control of TA Orange (83 %) while dropping Orange’s share to 10 per cent. The Nation – one of the leading English-language Newspapers in Thailand – called this a ‘Massive Divestment’ (The Nation, ‘Massive Divestment: Orange SA sells stake in Thai unit’, 10 March 2004). Following this telecoms market situation in Thailand, it appears that the EU, both the Delegation and the Commission in Brussels played a significant role in lobbying the Thai government on behalf of European business for market access and a fair regulatory regime in the Thai telecoms market.

\textsuperscript{122} Shin Corp, the company founded by Prime Minister Thaksin, is the main shareholder of AIS of 43.06%. SingTel of Singapore owns 19.35% in AIS (AIS Website).

\textsuperscript{133} However, the Telenor stake of 29.94% in DTAC in fact exceeded the limitation of foreign ownership share allowed by the Thai telecoms business law (only at 25%), which caused concerns on the rather protective Thai telecoms market among European business.

\textsuperscript{134} In August 2000, France Télécom acquired Orange plc from Vodafone for a total consideration of £25.1 billion. (Orange Website, accessed at 23 May 2004).

\textsuperscript{135} TelecomAsia is a major provider of fixed-line telephony, cable and satellite TV and multimedia. The major stakeholder of 44.45% is the Charoen Pokphand Group (CP Group), one of Asia’s largest agro-industrial conglomerates. In April 2004, TA has changed its name to TRUE. (TA Website, accessed at 23 May 2004).
The issue of limitation of foreign ownership share only to 25% and the amendment of the telecoms business law to increase this to 49% was raised twice by the EU Trade Commissioner from 1999-2004, Pascal Lamy with the Thai Prime Minister. The first time was on 13 June 2002 in Brussels, when together with the President of the European Commission, Romano Prodi, Mr. Lamy explicitly stressed that ‘the protectionist characteristic of Thai telecoms business law is opposed to Thailand’s multilateral commitments in WTO’. Again, on 31 March 2003, during his official visit to Thailand, Mr. Lamy emphasised to the Prime Minister that: ‘the limitation of foreign share ownership in local telecoms firms at 25% and slow process to amend it has given a negative signal to foreign investors’ (Interview, Government House, Bangkok, 18 September 2003).

While the liberalisation of Thailand's telecoms market is seen as a test of Thaksin's commitment to market liberalisation and providing a level playing field for foreign investors competing in the Thai market, in May 2002, the Cabinet agreed to amend telecom legislation to raise the foreign share ownership cap in local telecom firms from 25% to 49% (The Nation, 'Foreign Ownership: New 49% telecom limit approved', 15 May 2002). This telecommunication case demonstrates that in addition to business lobbying Thai government on its own, the EU could play a supporting role in facilitating investment (if a business dispute or problem affects a common interest of European business as a whole) by emphasising the use of the WTO commitments as a principle, even though investment is still not under the EU’s exclusive competence.

6.4.3 Financier: Economic-Oriented Co-operation Programmes

The third role of the Delegation as a 'financier' is closely related to the EU's use of economic co-operation programmes as alternative 'soft' commercial instruments to engage Asia at the interregional (EU-ASEAN) level (See Chapter 5, Section 5.4). Among ASEAN, Thailand has
often been chosen as a regional hub for the EU-ASEAN projects/programmes, for example ECAPI and ECAP II economic co-operation programmes to promote Intellectual Property Rights have their bases in Bangkok (See also Table 6.8).

In fact, co-operation between the EC and Thailand commenced in the 1970s; and in the early stages the EC’s emphasis was placed on assisting government crop diversification efforts and boosting farmers’ incomes. Since the mid-1990s the focus of co-operation has shifted towards more economic-oriented activities in line with Thailand’s rapid growth. As the Commission strongly emphasised in its Country Strategy Paper and National Indicative Programme for Thailand, ‘the period 1994 to 1999 has shown Thailand rapidly evolving from the status of aid recipient to that of economic partner’…As a result, ‘[activities] during the period of the present strategy (2002/6) should be mainly economic, with EU development aid to be used only in exceptional circumstances’ (2002d: 15, 5). Two priority areas for EU bilateral co-operation with Thailand were identified by the Commission in this country strategy paper: trade and investment and reform of the health system. According to the Commission, the EC’s bilateral co-operation strategy with Thailand will focus mainly on two focal areas: technical assistance and capacity-building activities in the sectors of trade, investment, and related areas for sustained co-operation and the sector of public health and health services through the consolidation of previous assistance to the Health Reform process, however, other sectors are considered as non-focal areas and will be addressed under the existing thematic and regional (ASEAN, ASEM, Asia) programmes (2002d: 3). According to the Commission’s National Indicative Programme for Thailand (2002-2004), from the total budget of 10 million Euros allocated to Thailand, 5 million was earmarked for focal area 1 (trade, investment and related areas for sustained co-operation) and another 5 million for focal area 2 (public health and health services) (2002e: 5). Focal area 1 reflects the use of economic co-operation programmes as a commercial tool to promote bilateral economic
relations with Thailand, particularly, trade and investment which includes technical assistance and capacity building to help Thailand in implementing its WTO commitments, namely in key areas agreed at Doha; supporting the Thai administration and companies to adapt to developments in EC legislation; and promoting EC investment and market access in Thailand (2002d: 21-22).

In order to implement this economic-oriented priority (focal area 1), the Commission initiated a new instrument called ‘the Small Project Facility’ (SPF), which aims to contribute to the reinforcement of the EU-Thailand comprehensive partnership, by providing financial contributions to ‘small, but strategic EU-Thai projects’ and ‘promote economic links (trade and investment, and related areas for sustained co-operations) between the EU and Thailand’ (European Commission, 2002d: 7). The European Commission Delegation in Thailand has played an increasingly important role in implementing this new Commission instrument. The SPF project, like other co-operation projects/programmes, i.e., Asia-Invest, is now managed and administrated by the Delegation, with close supervision by the Commission’s EuropeAid Co-operation Office in Brussels (previously these co-operation programmes/projects were principally administrated only by the Brussels office). This increasing responsibility of the Delegation in implementing the EU’s co-operation programmes/projects is in line with the devolution policy of the Commission, adopted in May 2000 with the aim of delivering EU external assistance more rapidly and more effectively (see Chapter 2). The SPF, which is now an on-going project in Thailand under full management of the European Commission Delegation, not only reflects the Commission’s intention to give the Delegation more power and responsibility to play its crucial role in third countries, but also indicates the EU focus on using a bilateral approach in producing concrete outcomes in the Asian region.
6.4.4 Coordinator: Representing A Single EU Voice?

Apart from market opener, trade and investment facilitator, and financier, a last but not least significant role of the Delegation is that of a ‘coordinator’ among Member State Embassies, business organisations and firms in Thailand. In fact, the Commission expects the Delegation to play such a role as it is clearly stated: ‘the Delegations are not there to “compete” with Member State Embassies... The task of the Delegations, beyond the representation of Community interests, is one of co-ordination and cooperation in the interests of projecting the image of a Union which is active, imaginative and united’ (2001f: Paragraph 1.2). This means the Delegation is expected play a coordinator role among them, representing an EU single voice in third countries.

In the case of Thailand, the investigation conducted by the author suggested that the EU single voice and the Delegation’s proactive coordinator role could be observed in only some areas of commercial co-operation, those falling under the EU exclusive competence, and with some groups of commercial stakeholders. For some bigger Member States and big business, the EU single voice is often neglected (except in the particular case of the Thai telecommunication market, when Brussels plays a crucial role in lobbying the Thai government) as they either have their own, long established connections in Thailand or have their own bargaining power. For instance, big German businesses often lobby directly to the Thai government, rather than bring the case to the EU. Moreover, European businesses which have already established their bases in Thailand, do not assign much importance to the Delegation; they contact and rely more on their national Chambers of Commerce in terms of business connections and networking. On the other hand, for smaller or less heavily involved Member States, this coordinating role of the Delegation is crucial as it can increase bargaining power in lobbying the Thai government. Interviews with Spanish, Italian, Belgian and the Netherlands Embassies in Thailand suggested that these Embassies recognise and appreciate the coordinating role of the Delegation in lobbying the Thai...
government on behalf of the EU as a whole, and that they anticipate a stronger and more integrated role of all European Embassies under the Commission Delegation (Interview, Embassy of Spain, Bangkok, 11 September 2003; Embassy of Italy, Bangkok, 15 September 2003; Royal Embassy of Belgium, 16 September 2003; and Royal Netherlands Embassy, 18 September 2003). The coordinator role of the Commission Delegation is not necessarily or equally important to all Member States and business stakeholders. Despite a variety of views from different Member States and different business stakeholders, it appears that in the case of Thailand there are some areas where the EU plays a useful coordinator role, representing both Member States and business interests. Intellectual Property Rights (IPR) are one striking example, when the Delegation plays a significant role as a coordinator, collaborating with Member States and business in dealing with IPR infringements in Thailand.

IPR infringements have been widespread in Thailand, obviously harming the interests of European business, for example, French and Italian luxury and brand name products. The EU has not only made an effort at the interregional level by financing a number of the EU-ASEAN cooperation programmes such as ECAPI and ECAPII to protect and promote IPR in ASEAN (as mentioned in Chapter 5), but also at the bilateral level the Delegation has been closely cooperating with Member State Embassies in representing European business interests in IPR and lobbying the Thai government, particularly the Thai Intellectual Property Department, Ministry of Commerce, to take some action (Interview, Ministry of Commerce, Bangkok, 19 September 2003).

Another instrument the EU uses is co-operative networking between the European public and private sector at bilateral level within the 'European Union Intellectual Property Rights Network', which was initiated and is managed by the Delegation in Thailand. This IPR Network aims at 'bringing together some one hundred representatives of European companies, EU
Member States Embassies and the Delegation, [to] seek solutions to the IPR abuses faced by many European businesses in Thailand [and will] pool the knowledge, expertise and experience of EU companies in Thailand facing IPR problems’ (European Commission Delegation in Thailand News Releases, 2003b). The IPR network is a striking example of strong co-operation between European public and private sector bodies in dealing with EU common business interests, and also indicates the Delegation’s role as a coordinator among European public and private sectors within this network, which can then lobby the Thai government on behalf of European business.

As Ambassador-Head of the Delegation of the European Commission to Thailand Klauspeter Schmallenbach at that time emphasised, ‘to make headway in the fight against IPR abuse in Thailand we need to present a united front. Closer co-operation between the European private and public sectors through the EU IPR Network is one way we can do that’ (European Commission Delegation in Thailand New Releases, 2003b). This co-operative networking in a particular area and sector (in this case IPR) was viewed by an EU official at the Delegation as a model for other cooperation in other industrial sectors in Thailand (Interview, European Commission Delegation in Thailand, Bangkok, 26 August 2003).

6.5 CONCLUSION: THE EU’S COMMERCIAL AND BUSINESS ENGAGEMENT IN THAILAND

The previous two chapters explored the EU’s commercial and business engagement at two different ‘regional’ levels in Asia, transregional (ASEM) and interregional (EU-ASEAN). In the transregional level, the EU plays a strategic role by creating the AEBF, a process of dialogue and networking between governments and business integrated as part of the ASEM economic framework, while in the interregional (EU-ASEAN) level, the EU emphasis is on using economic co-operation programmes as indirect commercial tools to promote business co-operation between
Europe and Asia, for example the Asia-Invest and EBIC programmes. Equally important in the multi-level analysis of this thesis is the investigation of the EU’s commercial and business engagement at the bilateral level or, to put it more crudely, ‘what actually happens’ locally. In doing so, particular attention has been paid to examining the roles of the European Commission Delegation in Thailand – as the EU’s commercial representation at this local level –, exploring what instruments and strategies it has, and in which ways the Delegation, in collaborating with the Member State Embassies and other commercial groupings, can represent, engage, and defend interests of different business stakeholders. Empirical research conducted by the author has suggested major characteristics of the EU’s commercial and business engagement at this local level through the observation of work and activities of the Bangkok Delegation as follows:

In the absence of a Brussels-originated, formal EU commercial strategy towards Thailand, the chapter has instead observed a process of ‘commercial networking’ happening at this local level among the commercial actors/stakeholders, including the Delegation, Member State Embassies, business stakeholders, national Chambers of Commerce. Within this networking process, the Delegation has played a co-operative role and assumed a positive orientation towards these commercial actors/stakeholders, engaging and incorporating interest of both states and firms. This implies a proactive role of the Delegation not only in assisting business and firms (both European home firms to enter the Thai markets and Thai local firms to enter the EU markets) but also coordinating with Member State Embassies and other commercial groupings in defending EU ‘common’ interest, and in some cases representing the EU single voice towards the host country government.

However, the chapter has also observed an uneven relationship among the commercial actors in this commercial networking process. While the Delegation and Member State Embassies – as a form of double-commercial representation – seem to have closer relationships and co-operate effectively, thus leading to a close ‘diplomatic co-operation’ among commercial
attachés dealing with the EU and Member States trade and commercial issues, the Delegation seems to have a low profile among businesses and there is a wide gap between the Delegation and business sectors (as well as Chambers of Commerce) in Thailand. However, the Member State Embassies, who have a closer contact with national Chambers of Commerce and business from their home countries, play a ‘middleman’ role between them. Therefore, it is argued that there is an effective division of labour between European commercial actors within this networking process.

Secondly, and more specifically, when trying to understand what roles the Delegation – as an ‘Embassy without a state’ (Bruter, 1999: 183) – plays in engaging both states and firms in the commercial networking process, the chapter has investigated four distinctive roles of the Delegation in Thailand, namely market opener, trade and investment facilitator, financer, and coordinator. These roles indicate that rather than intending to engage business on day-to-day basis, the Delegation tends to play an active background role in setting a framework for business, facilitating trade and investment, and ensuring that the third country complies with multilateral commitments (chiefly WTO). Moreover, as a consequence of the EU’s uneven commercial competence in trade and investment, the Delegation’s roles and activities emphasise trade policy issues, which fall under Community competences, and not investment which is still the Member States’ competence. It is also crucial to distinguish between trade and investment ‘facilitation’ and ‘promotion’ as the roles and tasks of the Delegation only cover facilitation of trade and investment, while the Embassies and their national Chambers of Commerce cover trade and investment promotion. The Delegation only acts when there is a ‘discrimination problem’ and when business dispute falls under Community competence and/or affects the common interests of European business as a whole. This affirms an effective division of labour between the Delegation, Member States Embassies, and national Chambers of Commerce in assisting different business stakeholders in Thailand.
Thirdly, while investigating the EU’s commercial and business engagement at this local level, the chapter has observed a closer linkage between interregional (EU-ASEAN) and bilateral (EU-Thailand) levels. In the light of the earlier comparison between two regional frameworks of the EU-ASEAN and ASEM, it was argued that the EU seems to focus on the transregional (ASEM) level as a platform for ‘dialogue and networking’ with a close link to multilateral (WTO) framework, while it expects more of the EU-ASEAN interregional framework to produce more tangible outcomes at the bilateral level. This means a close link between interregional and bilateral levels, and the EU’s focus on the implementation of its interregional (EU-ASEAN) strategy at the bilateral level. As argued in Chapter 5, the 2003 ‘New Partnership with South East Asia’ Strategy adopted by the Commission has a new mechanism, the ‘flexible’ approach, which paves the way for new Bilateral Co-operation Agreements with individual ASEAN countries on different tracks and at different times (according to various levels of development and differing priorities), but within the interregional framework. This new bilateral approach of the EU, with the forthcoming EU-Thai Bilateral Agreement expected to be signed in 2006, emphasises the use of bilateralism in South East Asian region, rather than interregionalism.

Another example of close linkage between interregional and bilateral levels is the implementation of TREATI at the bilateral level. While being an EU-ASEAN interregional trade action plan in nature, the TREATI activities are undertaken at the local level, through the work and activities of the Delegation in Thailand. Moreover, a number of EU-ASEAN economic co-operation programmes, for example the Asia-Invest Programme, are also implemented at the bilateral level as part of the Delegation’s tasks and activities. However, the ASEM activities have no involvement at this local level. Research conducted by the author suggested that the Delegation in Thailand has very little knowledge about the ASEM activities, mentioning that the ASEM is managed by the Commission in Brussels, but it is well informed about co-operation at the EU-ASEAN level.
Last but not least, it is possible to observe that as a consequence of diversity among ASEAN countries, the EU has tended to initiate more bilateral co-operation programmes, for example the SPF project, with the aim of serving the particular needs of different ASEAN countries and to foster closer bilateral economic relations between the EU and different ASEAN countries. The EU-Thailand SPF Project started in 2004 in turn indicates that the EU’s commercial strategy is tending to move towards a bilateral approach (with close link with interregionalism), pursuing more concrete outcomes in enhancing trade and investment bilaterally.

To conclude, the EU plays a significant role as a commercial actor, not only at the transregional (ASEM) and interregional (EU-ASEAN) levels, but also at the bilateral level. However, one has to bear in mind that identifying the EU’s commercial roles in Thailand does not mean that these roles are a default pattern for all Asian countries. Rather the commercial strategies, roles, and instruments of the EU are likely to vary by different bilateral relations with different Asian countries, and even among ASEAN countries themselves. Thus, the Delegation plays a significant role in managing and directing the bilateral relationships with Thailand, but this may not be the case elsewhere. The roles of Delegation might be different in different ASEAN countries, an issue which would merit further investigation.
Conclusion

This thesis has explored the EU’s commercial strategies towards Asia, with a particular focus on the engagement of business. As suggested, such investigation takes its cue from the IPE debates on the roles of states and firms in the world. It has found of particular relevance the work of Stopford and Strange on the differentiated roles of states and their interactions with firms in the changing global political economy, and those of other authors on the concepts of ‘competition state’, 'catalytic state' and the balance between ‘confrontation’ and ‘cooperation’ in state-firm relations, producing what can be termed ‘cooperation state’. Furthermore, this thesis has explored the formulation and implementation of EU commercial diplomacy. The claim is that the EU (as a form of quasi-state actor) can perform some statelike functions as revealed by the adoption of its own commercial strategies, instruments, and roles alongside both states and firms in the global political economy. Thus, the EU is presented as a potent commercial actor and a formidable participant in the international arena.

The analysis of EU commercial diplomacy suggests the emergence since the mid-1990s of a particular business engagement focus formulated and articulated by the European Commission. This development underwrites the attempt to engage business more closely into EU commercial strategies and also indicates a new area in the commercial diplomacy of the EU. Hence, the EU seems to have brought state-functions and firms together, performing positive and proactive roles – comparable to those of catalytic, competition and cooperation states – as opposed to merely defending its commercial interests.

Within the broad focus on states and firms in EU commercial strategy, Chapters 4-6 undertook an empirical investigation of the place of business engagement in overall EU commercial strategies towards Asia. Thus, in response to its research questions this thesis has
explored three different but interconnected dimensions of EU commercial engagement: transregional (ASEM), interregional (EU-ASEAN) relations, and bilateral (EU-Thailand) relations. This investigation was guided by a set of research questions set out at the beginning of the thesis as follows:

First, what are the main features of the EU’s commercial strategies towards Asia and how have they been translated into EU-Asian institutional frameworks at different levels of EU commercial engagement in Asia? Specifically, how far do these strategies reflect a multi-level approach, and how far do they reflect the aims of business engagement?

Secondly, how have the aims of EU commercial strategies been translated into specific activities within EU-Asian relations? Specifically, how has implementation taken place at different levels, and how has it incorporated business engagement?

Thirdly, what are the key areas of variation between business engagement activities at different levels, and how effective have EU activities at these different levels been?

This chapter, therefore, assesses the results extracted from the empirical investigation. Consequently, it uses this evaluation as the basis for both a reconsideration of the EU’s commercial and business engagement in Asia, and a general appraisal of the debates on EU commercial diplomacy and state-firm relations. In this respect, it is possible to ask how the emergence of the EU as a quasi-state commercial actor in the global political economy in general, and in Asia in particular, has modified state-firm relations in the global political economy, and how this helps us think about the role of the EU in the global political economy. This chapter thus proposes a model to understand EU commercial diplomacy towards Asia, comprising different stakeholders, not only states and firms, but also the EU and other commercial actors. It is expected that the investigation and evaluation of EU commercial and business engagement strategies in the particular case of Asia could help facilitate the general understanding of the EU

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as a quasi-state commercial actor performing some statelike functions alongside both states and firms, in the global political economy.

REVIEWING THE EMPIRICAL EVIDENCE: PATTERNS OF EU COMMERCIAL AND BUSINESS ENGAGEMENT IN ASIA

Chapters 4-6 have investigated business engagement as part of the overall EU commercial strategies towards Asia at three different levels: transregional (ASEM) relations, interregional (EU-ASEAN) relations and bilateral (EU-Thailand) relations. While emphasising that these are part of a multi-level analysis, the evidence not only indicates that the EU has different instruments, strategies, and roles, but also that it attempts to engage different stakeholders (both states and firms), at these three distinctive but interconnected levels of engagement. This leads to a significant variation in the patterns of the EU commercial and business engagement in Asia.

Table 7.1 (columns A, B, C and D respectively) indicates the different instruments used, strategies developed, stakeholders engaged and roles played by the EU at the three levels of analysis.

The Transregional Level

At the transregional level, as discussed in Chapter 4, AEBF (a business body which was institutionally integrated into the ASEM economic pillar) represents a formal channel for EU business engagement in Asia (not only South East Asia, but also the wider context of Asia, including also China, Japan and South Korea). While aiming to establish ‘a dialogue between entrepreneurs’ and ‘a dialogue between businessmen and government representatives’ (Chairman’s Statement, AEBF1), the AEBF, with its informal structure, is designed to produce policy recommendations fed to the ASEM governments through the regular participation of the AEBF representatives in the ASEM Summit and in the EMM and SOMTI (and vice versa, SOMTI officials in the AEBF). Through this institutionalised connection, policy-makers from
Europe and Asia can in principle have direct contact with business, which tends to provide policy input to support the ASEM economic process (for example by shaping TFAP and IPAP, the two key ASEM Action Plans on trade and investment). In other words, the EU seemed to base its initial aims and expectations in respect of AEBF on its potential as 'a generator of policy outcomes' and to hope that the institutionalised connection between the AEBF and other economic bodies under the ASEM economic pillar could in principle pave the way for the AEBF as a useful commercial instrument to produce tangible outcomes in promoting trade and investment between Europe and Asia.

However, Chapter 4 has suggested that such expectations have not been fulfilled so far and the direct role of AEBF in promoting trade and investment between the two regions has been marginal. Statements by EU officials, AEBF Contact Points, business associations, involved in the AEBF process, as well as Asian representatives confirm this negative assessment of AEBF. Nonetheless, rather than only focusing on AEBF as a forum to produce immediate outcomes, Chapter 4 argued that the EU emphasises the importance of AEBF as 'a process for dialogue and networking'. In this respect, the AEBF is recognised by the EU as a peak organisation for gathering both government and business (targeting particularly big business) from the two regions in one forum. This reflects the EU's attempt to pursue a 'grand' business engagement strategy at transregional level.

This grand business engagement strategy can be understood as an EU response to the changing global political economy mentioned in Chapter 1 (structural changes and the increasing importance of non-state actors and firms, leading to a new state-firm diplomacy), in general, and to a significant shift towards a greater participation of EU based non-state actors and firms in the Asian region, in particular. Thus, the creation of AEBF in 1996 can be seen in the light of the EU aim to bridge the missing link in the Triad world economy, and to emulate the creation of ABAC under the APEC in 1993 to support the Asia-Pacific region, and the TABD in 1995 to support
transatlantic relations. Such broader business and global driving forces thus made it logical for a peak organisation such as AEBF to link more closely to the multilateral/global level; hence, there is less policy-linkage between the transregional organisation of AEBF (including TFAP and IPAP activities) and the interregional (EU-ASEAN) and bilateral (EU-Thailand) levels than might be anticipated. The EU, therefore, focuses on this grand business engagement strategy at the transregional level as a means to support its position as a major commercial actor in the global political economy, and more importantly to balance the power between Triad members in Asia. The EU plays a strategic role at this grand level of engagement.

The Interregional Level

Investigation of EU-ASEAN interregional relations in Chapter 5 showed that, unlike the creation of AEBF at the transregional level, the EU does not yet seem to have formulated a formal business engagement strategy as part of the EU-ASEAN institutional framework. Rather, EU-ASEAN relations remain intergovernmental in nature, involving exclusively policy-makers and diplomats. The Commission's 2003 'New Partnership with South East Asia' strategy - a new EU initiative to move forward its economic and commercial relations with ASEAN, and the TREATI - a new trade action plan for ASEAN, do not aim to directly engage business into the new EU-ASEAN economic and commercial mechanism (neither in the SEOM-EU Consultation Meeting created since 1999 nor in the AEM-EU Trade Commissioner Consultation Meeting created since 2000). There is no direct business involvement at this interregional level.

Rather than directly engaging business into its interregional framework, the EU focuses on the use of economic co-operation programmes as indirect commercial instruments. The Asia-Invest Programme and EBIC Programme, key examples of two economic co-operation programmes aiming to engage business in Asia, including ASEAN, have reflected the EU's intention to use these programmes as alternative 'soft' commercial instruments to produce more
concrete outcomes at the local level in supporting business, while focusing on the AEBF as a formal process of dialogue and networking. Both Asia-Invest and EBIC programmes directly target assistance to SMEs, rather than big business, as does the AEBF. However, the EU experience in implementing these two programmes suggests that the EU only prefers to play a financier role, providing financial support to business intermediaries, for example Chambers of Commerce and other business organisations, to organise their own business activities, which would better suit the needs of business locally. Moreover, the results from Chapter 5 also observed an implementation of a number of EU’s interregional strategies and instruments at the local level and a close policy-linkage between interregionalism and bilateralism.

The Bilateral Level

Chapter 6 focused on the EU’s involvement in Thailand, which has a rather different nature from engagement at the transregional and interregional levels. It focused particularly on the roles of the European Commission Delegation as a form of commercial representation in third countries (in this case Thailand), performing significant commercial roles and activities alongside Member State Embassies and other commercial actors. In the absence of a distinct Brussels-originated commercial strategy towards Thailand, Chapter 6 surprisingly observed ‘a process of commercial networking’ happening among commercial actors at this local level. Evidence from Chapter 6 confirms that as part of this process of commercial networking the Delegation plays positive and cooperative roles in engaging different commercial stakeholders (both states and market operators), including Member State Embassies, business (both home and host firms) as well as other business associations (primarily national Chambers of Commerce). Four distinctive roles of the Delegation in Thailand in engaging different stakeholders could be identified: market opener, trade and investment facilitator, financier, and coordinator.
<table>
<thead>
<tr>
<th>Level of Engagement</th>
<th>Instrument (A)</th>
<th>Strategy (B)</th>
<th>Stakeholder (C)</th>
<th>Role (D)</th>
<th>Positive Business Engagement Engagement (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Transregional ASEM</td>
<td>- AEBF as a process dialogue and networking</td>
<td>- Grand business engagement strategy</td>
<td>Both Home Firms and Host Firms</td>
<td>Strategic role</td>
<td>Pursuit of Positive Business Engagement (or Triangular Diplomacy) at grand level</td>
</tr>
<tr>
<td></td>
<td>- AEBF as a peak organisation</td>
<td>- Focusing on process rather than outcomes</td>
<td></td>
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<td></td>
<td>- the EU-ASEAN as a pure intergovernmental relations</td>
<td>- Supporting the EU global position and balancing power in the Triad world economy</td>
<td>Big business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II Interregional EU-ASEAN</td>
<td>- No direct business involvement</td>
<td>- Indirect business engagement strategy</td>
<td>Both Home Firms and Host Firms</td>
<td>Financier Role</td>
<td>Absence of Positive Business Engagement (Triangular Diplomacy)</td>
</tr>
<tr>
<td></td>
<td>- Economic co-operation programmes aiming to engage business</td>
<td>- Producing more outcomes</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>- Implementing interregional strategy at bilateral level, i.e. New ASEAN strategy and TREATI</td>
<td>- Implementing interregional SMEs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III Bilateral EU-Thailand</td>
<td>- The European Commission Delegation</td>
<td>- Bilateralism within Interregional framework</td>
<td>Home Firms accessing third country market</td>
<td>Market Opener</td>
<td>Occurrence of Positive Business Engagement (or Quadrilateral Diplomacy) at ground level</td>
</tr>
<tr>
<td></td>
<td>- Diplomatic co-operation and effective division of labour between the Delegation and Member State Embassies</td>
<td>- Assisting and engaging different commercial stakeholders</td>
<td>Both Home and Host Firms</td>
<td>Trade and Investment Facilitator</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- a process of commercial networking among the Delegation, Member State Embassies and Chambers of Commerce</td>
<td></td>
<td>Chambers of Commerce</td>
<td>Financier</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Member States, Home and Host Firms</td>
<td>Coordinator</td>
<td></td>
</tr>
</tbody>
</table>
Empirical results from Chapters 4-6 thus confirm the assumption made at the outset of the thesis that business engagement occurs as part of EU commercial diplomacy. However, in the case of Asia this business engagement varies in pattern and form, according to different levels of EU commercial engagement in Asia. As a result, it has also been argued that the EU plays distinctive roles through various kinds of commercial instruments aiming to engage different business stakeholders at these distinct but interconnected levels (as shown in Table 7.1). This thus implies a complex picture of EU commercial and business engagement in Asia: on the one hand this reflects the diversity of the Asian region, on the other hand the complexity of EU commercial diplomacy and the character and functions of the EU as a quasi-state, performing its roles alongside Member States whose interests vary. The next section aims to analyse these empirical results accumulated from Chapters 4-6 in the light of the ideas about state-firm relations, and particularly the proactive roles of the EU, put forward in Chapters 1-2.

**POSITIVE BUSINESS ENGAGEMENT AND THE PROACTIVE ROLES OF THE EU: COMPETITION, CATALYTIC, AND COOPERATION STATE?**

This section explains the overall inferences from the thesis, not only from the evaluation of the results of the empirical discussion in Chapters 4-6, but also from linking these to the conceptual claims of Chapters 1-2. In doing so, it evaluates the implications of the empirical investigation in the light of arguments about state-firm relations, including Stopford and Strange's idea of Triangular Diplomacy, and particularly the proactive roles of the EU. While emphasising the use of a multi-level analysis in the empirical investigation, this section explores the occurrence or absence of Triangular Diplomacy and the positive and proactive roles of the EU towards business and firms, or what can be termed 'positive business engagement' at different levels of its commercial engagement in Asia (See Table 7.1, Column E). Moreover, it is also important in this analysis to take into account both strategy formulation and strategy implementation, or 'what the
Commission is aiming to do?’ and ‘what actually has been implemented/translated into action?’ This distinction in turn helps illustrate the impact of EU commercial and business engagement strategies in Asia.

In terms of strategy formulation, business engagement strategy has emerged as part of overall EU commercial diplomacy, alongside a shift from a protectionist approach during the late 1970s and early 1980s\textsuperscript{136} towards a more liberal approach in the EU’s trade and commercial strategies during the 1990s (McGuire, 1999:82; Hanson, 1998: 56). This shift of strategies can be seen as responding to changes in the global political economy, in which the issue of competitiveness has become crucial, non-state actors (particularly firms) have increasingly been important actors alongside states, and states have to compete for world market shares as a means to wealth and survival in the world economy (Stopford and Strange, 1991: 1). The EU—though not a state in traditional terms—is no exception to this general trend. In order to increase its global competitiveness and to secure its position as an economic power in the global political economy (in competition with the US and Japan), the EU has to pursue a positive approach towards business and firms.

Such attempt to play positive and proactive roles in relation to business and firms can be observed through the business engagement strategies and instruments adopted by the Commission, since its first ‘market access strategy’ in 1996. Since then the issue of competitiveness and market access have become a key theme of the EU’s commercial strategies, and the Commission has become a key supporter of European business in accessing third country markets (and vice versa, opening EU markets to the world). This means that a positive orientation towards business engagement has emerged as a crucial part of EU commercial diplomacy, and

\textsuperscript{136} Hanson noted that this protectionist approach in the EU trade policy followed the recessions of the 1970s and 1980s which were characterised by stagnating or declining levels of output and rising levels of unemployment. At the time most Europeans saw rising unemployment as the direct result of growing imports, particularly from Japan and the newly industrialising countries. Thus many concluded that increased protectionism was necessary, and numerous economic theories were advanced, particularly in Great Britain, France, and Germany, advocating higher trade barriers (1998: 58).
that the EU increasingly plays proactive roles in relation to business and firms, alongside the traditional, and rather defensive, trade policy instruments, i.e., anti-dumping, anti-subsidy, and safeguards, which seem to be in a declining trend. In this respect, it can be argued that the EU has pursued proactive roles that are comparable to those of (i) a 'competition state' – which 'pursues increased marketisation...that contribute to national wealth, more competitive in international and transnational terms' (Cerny, 1990; Cerny 2000c: 301) or (ii) a 'catalytic state' – which 'forges or strengthens partnerships with other actors, i.e., firms, rather than going it alone' (Weiss, 1998: 211). Thus, the EU has embodied a move from 'confrontation to cooperation' (Dunning, 1993b) in relations with business and firms, performing a role of 'cooperation state'.

This shift towards a more positive EU approach towards businesses has also been observed in Asia, whose markets have received increasing attention from the EU (as well as from the US and Japan). Chapter 3 observed the formulation of business engagement as part of the EU commercial strategy framework towards Asia. Since its first Asian strategy in 1994 the Commission has been focusing on the issues of market access, trade and investment facilitation, as well as providing assistance to businesses to access Asian markets. In this context, Asia is important for the EU as a market or a set of markets, rather than as a collection of states. This reflects a conscious attempt by the EU to become a form of competition, catalytic and cooperation state, in other words to pursue positive and proactive roles in relation to business and firms. In Stopford’s and Strange’s terms, this means that the EU has set out to become an active participant in Triangular Diplomacy.

Although there is evidence (at the strategy formulation level) that the EU has pursued a positive business engagement programme, the evidence from Chapters 4-6, which focused particularly on the implementation of the EU’s commercial and business engagement strategies towards Asia, shows a rather different picture. Given the variation of instruments, strategies, and roles of the EU in engaging different business stakeholders at different levels in Asia, it is
suggested that the EU is likely to play proactive roles – comparable to those of catalytic, competition, and co-operation state – in engaging business more closely into its commercial diplomacy framework, or pursuing positive engagement towards business, at some levels, but not at others. In other words, implementation of positive business engagement strategies varies in different contexts. See Column E, Table 7.1.

As noted above, the establishment of AEBF under the ASEM economic pillar indicates the EU intention to create a grand and formal business engagement strategy, (which might be termed a pursuit of Triangular Diplomacy) and proactive roles towards business at the transregional level. However, the investigation and evaluation of AEBF in Chapter 4 suggested that the impact of this EU grand strategy seems so far to be modest. During the early years of AEBF, business was more active and enthusiastic in playing a policy input role as part of this process: both in supporting the work of ASEM’s Summit, SOMTI, EMM, and IEG and in implementing TFAP and IPAP. However, recent years have been marked by a declining interest of business in participating in AEBF meetings, and a waning support for the work of ASEM. The reason for this trend is that the ASEM governments do not seem to respond quickly and with concrete measures to the AEBF Political Recommendations. Not only does this show a lack of AEBF ability to produce fast and tangible outcomes in general, but also, as argued in Chapter 4, the TFAP and IPAP\textsuperscript{137} – two key ASEM Action Plans – have not yet been successfully implemented in promoting trade and investment between the two regions.

However, despite the marginalisation of AEBF in terms of tangible outcomes, this should not be perceived as a failure of the EU business engagement strategy. Instead, for the EU, the value of AEBF lies in representing a peak transregional organisation to support a process of dialogue and networking. After almost a decade of AEBF operation, the EU still insists on

\textsuperscript{137} While there have been some activities under TFAP recently (2005), the IPAP activity was stopped altogether in 2003.
maintaining it as a useful process of dialogue and networking for public and private sectors, particularly governments and business, from Europe and Asia. Recently, in order to make the AEBF process more effective AEBF9 in Hanoi in 2005 set up a core group, reinforcing the role of AEBF as Business Advisory Council to ASEM, and also decided that in the future AEBF will meet every two years in connection with the ASEM Summit (Chairman’s Statement, AEBF9). This decision to organise an AEBF meeting every 2 years, instead of every year, seems to confirm the EU’s intention to use AEBF mainly as a process for dialogue and networking, rather than a medium for generating speedy and concrete outcomes. Importantly, although the AEBF has not yet proved to be successfully implemented, it still confirms the EU’s attempt to pursue proactive roles in business engagement at this transregional level.

At the interregional level, the investigation of the EU indirect business engagement strategy – the use of economic co-operation programmes as ‘soft’ commercial instruments – towards ASEAN in Chapter 5 showed even less positive results. The EU does not seem to consider EU-ASEAN interregional relations as a framework for business engagement. Instead, ASEAN has been included in the broader business engagement strategy of the EU in Asia. For instance, the Asia-Invest and EBIC programmes are not only aimed at ASEAN but also cover the wider context of Asia, including China and South Asia. Importantly, as Chapter 5 suggested, ASEAN is the least notable beneficiary in Asia-Invest Programme, compared to China, and the positive result of EBIC operations can only be observed in some ASEAN countries, but not the others. Hence, the EU’s attention to indirect business engagement towards ASEAN at the interregional level is still uneven. It is also possible to conclude that ASEAN as a region seems to be less important for the EU in promoting business interests. This trend is even more visible with the increasing economic importance of China and India in Asia. A positive pursuit of Triangular Diplomacy and the framing of proactive roles for the EU do not seem to occur at this interregional level.
At the bilateral level, despite the lack of a formal EU framework to engage business, the European Commission Delegation in Thailand has played both positive and cooperative roles, together with the Member State Embassies in assisting business, helping both European business to enter Thai markets, and local business to enter European markets. These proactive roles of the Delegation in Thailand include market opener, trade and investment facilitator, financier, and coordinator. For example, the Delegation plays a useful role as market opener in assisting European home firms to achieve better access into Thai market. For local business, the Delegation assists them through the establishment of 'Business Information Centres (BIC)', which provide information on the European Single Market, EU laws and regulations for local exporters. Moreover, the Delegation also plays a financier role by giving financial support to business organisations/intermediaries such as national Chambers of Commerce in Thailand through the bilateral economic co-operation programme called Small Project Facility (SPF), particularly as this contributes to the promotion of bilateral trade and investment between EU and Thailand. Not only assisting business, the Delegation also coordinates among Member States Embassies, particularly among commercial attachés and diplomats, leading to what the thesis calls 'diplomatic co-operation' especially in the area of trade and commercial policy, which falls under the Community's exclusive competence. Therefore, it is possible to conclude that at this bilateral level the EU through the European Commission Delegation not only plays positive roles in relation to business and firms (as the thesis initially assumed), but also supports the emergence of a stronger EU single voice among Member States towards the host countries. Chapter 6 observed the emergence of commercial networking and these positive roles of the EU in engaging both Member States and business, and other commercial stakeholders in Thailand. Hence, there is an active development of state-firm relations and thus in principle occurrence of aspects of Triangular Diplomacy at this bilateral/local level.
THE EU AS COMMERCIAL ACTOR IN ASIA: SOME STATELIKE ROLES

Evidence from the investigation conducted in this thesis confirms the EU’s ‘presence’ as a commercial ‘actor’ in Asia, which has been more evident since the mid-1990s (its first Asian strategy in 1994). This EU presence in Asia has developed alongside the increasing importance of EU commercial diplomacy and of the EU as a commercial actor in global, regional and bilateral political economy during the post-Cold War period. Although the EU-ASEAN interregional dialogue started in the 1970s with the EC-ASEAN Co-operation Agreement signed in 1980, it focused particularly on political dialogue (there was no ministerial meeting between Economic Ministers from the EU and ASEAN sides, but only the AEMM which was essentially a Foreign Ministers’ Meeting). This might be because, as Robles argued, at the early stage of EU-ASEAN relationship ‘the EC itself did not seem to consider an interregional relationship as a mechanism for encouraging European firms to invest in South East Asia’ (2004: 101). This confirms the lack of EU interest in the Asian region and in developing a stronger economic and commercial framework with Asia, particularly ASEAN, before the mid-1990s. It was not until 1994 that the first Asian strategy was adopted, and in 1996 that the ASEM process was created, symbolising the EU’s initial, but relatively late, attempt to promote trade and investment between the EU and Asia. Since then the significance of the EU as a commercial actor in Asia has been evidenced by a set of commercial strategies and instruments adopted by the European Commission (as argued about the formulation of the EU’s commercial and business engagement strategies towards Asia in Chapter 3, Sections 3.2 and 3.3). The investigation of the implementation of the EU’s commercial and business engagement strategies and activities in Asia undertaken in Chapters 4-6 suggested that the EU adopts different instruments and strategies, and performs distinct roles in different levels of EU commercial engagement in Asia: transregional (ASEM), interregional (EU-ASEAN), and bilateral (EU-Thailand).
Apart from revealing a variation in the pattern of EU commercial and business engagement at different levels of engagement (argued earlier in section, see also Table 7.1), the evidence from Chapters 4-6 also helps understand the characteristics of the EU as a commercial actor in Asia as well as its accumulation of statelike features in the global political economy. As argued in Chapter 2, the credentials of autonomy, representation and influence\textsuperscript{138} make it possible to analyse the roles of the EU as a commercial actor in Asia, and as a statelike commercial actor in the global political economy.

**Autonomy: Sharing Commercial Autonomy between the Commission and Member States**

The European Commission – despite the fact that its commercial autonomy is still limited by the restriction inherent in the Community’s commercial competence and its interaction with the Member States – pursues its commercial ideas, objectives and priorities, adopts its own commercial strategies and instruments, and performs its own roles in Asia. The evidence presented in Chapters 4-6 confirms that while performing significant roles as a commercial actor in Asia, and a number of statelike functions, it is important to bear in mind that the EU is not a state in traditional terms. Within the area of commercial diplomacy or the First Pillar, the Commission has exclusive competence only in trade policy, but not in investment, which still falls under the competence of Member States. As a consequence of this shared commercial competence, particularly on trade and investment issues, the EU’s commercial activities in Asia at all levels of engagement seem to focus mainly on trade issues, while investment issues have been managed by the Member States.

At the transregional level, Chapter 4 observed an EU attempt to bring investment issues into the ASEM economic framework by initiating an ASEM investment Action Plan called IPAP and the Investment Expert Group or IEG. However the implementation and impact of these

\textsuperscript{138} Rather than evaluating the EU in terms of the qualifications of traditional statehood, namely sovereignty, recognition and control (See Chapter 2, Section 2.3).
ASEM activities on investment seems to be rather modest. The ASEM initiatives and activities on trade seem to produce more positive results than those on investment. The investigation and evaluation of both TFAP and IPAP in Chapter 4 has shown that the TFAP is more successful and still an on-going activity, while the IPAP, particularly the IEG meeting, has been stopped since 2003. Moreover, according to an EU official, there is no sign of renewing IPAP activity or initiating a new co-operation on investment at the ASEM level until recently (Interview, DG Trade, European Commission, 18 November 2005, Brussels).

At the interregional EU-ASEAN level, evidence in Chapter 5 suggested that the EU only plays a framework and background role in facilitating trade and investment environment between EU and ASEAN; the EU only aims to assist business indirectly. The Asia-Invest Programme is an example of the EU economic co-operation programme aiming to promote investment between two regions, targeting particularly at the SMEs. However, through the Asia-Invest Programme, the EU only plays a financier role, giving financial support to business intermediaries, for example Chambers of Commerce, to implement their own investment promotion activities. The Commission, while not infringing directly on the Member States’ commercial competence in investment, intends that ‘[these] intermediaries, as key economic operators, play a significant role as “multipliers”, extending the benefits of the Programme to a wider number of SMEs’ (EuropeAid Co-operation Office, 2003:1). It is thus clear that when it comes to promoting investment and assisting business, the EU only plays a framework role and Member States still represent their national business interests, encouraging their businesses to invest in Asia. More importantly, Chapter 5 observed the initiation of TREATI as new trade Action Plan between the EU and ASEAN, aiming ‘to expand trade and investment flows and establish an effective framework for dialogue and regulatory co-operation on trade facilitation, market access, and investment issues between the two regions’ (European Commission, 2003a: 16). But there has
been no EU attempt to involve investment issues directly into the EU-ASEAN commercial framework.

While investigating the autonomy and roles of European Commission Delegations as a form of commercial representation at the bilateral level, Chapter 6 confirmed that the Delegation in Bangkok shares its commercial competence with Member State Embassies. Apart from shared Delegation-Embassy competence in trade and investment issues as inherited in the Community’s commercial competence, in practice the Delegation and Member State Embassies’ tasks and activities are also distinguished between the actions of ‘facilitation’ and ‘promotion’ issues. While Member State Embassies and their national Chambers of Commerce are responsible for trade and investment promotion activities and dealing with day-to-day business activities for business from their home countries\(^{139}\), the Delegation roles cover trade and investment facilitation, for example, facilitating harmonisation of regulatory frameworks, lobbying Thai government organisations for a better access to Thai market, and providing information on the EU Single Market. Such effective division of labour between the Delegation and Member State Embassies leads to what Chapter 6 called ‘diplomatic co-operation’ at the local level. This shared commercial autonomy between the Commission and Member States observed in all levels of EU commercial engagement in Asia reflects the complexity of EU performance of statelike functions in its commercial relations with Asia.

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\(^{139}\) Both home firms who seek a market access into Thailand, and home firms who have already establish their business in the country. However, the work and responsibilities of Member State Embassies and their national Chambers of Commerce are sometimes overlapping. See Chapter 6, Section 6.3.2.
Representation: Distinctive, but Interconnected Commercial Representation

Rather than recognition — the term normally used as a qualification of state actors when participating in the international system, the second credential this thesis has used to analyse the EU’s commercial diplomacy toward Asia is that of representation. As has been argued elsewhere, the EU’s commercial representation in Asia, or what the thesis also calls commercial engagement in Asia, is divided between three different levels: EU representation as part of the transregional ASEM process, EU representation in EU-ASEAN interregional relations, and lastly and distinctively, bilateral representation in third countries through the European Commission Delegation.

Although the empirical investigation in Chapters 4-6 observed different types of strategies, instruments and roles of the EU in these three levels of engagement, they are arguably interconnected, reflecting the linkages of EU’s commercial policy between different levels. The ASEM can be viewed as having a closer link to the multilateral/global level. As discussed in Chapter 4, the issues discussing in the ASEM and AEBF seem to be complementary and compatible with that of WTO, where EU commercial representation seems to be at its most highly-developed. The ASEM is recognised by the EU as a peak transregional organisation, if not to produce speedy and tangible outcomes, but to support the EU position in the global political economy, and more importantly to balance the power between Triad members in Asia. It is thus not surprising that Chapter 4 observed less involvement of ASEM and AEBF activities at the local/bilateral level. At the same time, Chapter 5 observed a closer linkage between the EU’s representations at interregional and bilateral levels, or between interregionalism and bilateralism. This means the EU’s commercial strategy towards ASEAN often involves its implementation at bilateral level (in different individual ASEAN countries). In particular, the ‘New Partnership with South East Asia’ strategy strongly reflects the EU’s new focus on using a bilateral approach, but within the framework of EU-ASEAN relations in order to reinvigorate its relations with ASEAN.
countries. As a result of this 2003 ASEAN strategy, there can be observed the Commission’s negotiations on bilateral agreements with different ASEAN countries, such as the EU-Thailand and EU-Singapore negotiations, but within the interregional framework. The TREATI is seen as a regional trade action plan, but its implementation is undertaken bilaterally. Therefore, the tasks of the Delegation as the EU’s commercial representation in Thailand involve some ASEAN activities, for example TREATI, but do not involve those arising from ASEM.

Whilst observing that these three levels of the EU’s commercial representation are interconnected, this thesis provides evidence of a recent shift of EU attention towards a bilateral rather than an interregional approach in Asia and particularly South East Asia. As argued in Chapter 5, EU-ASEAN interregional relations have often faced difficulties and setbacks due to political problems in South East Asia (particularly Myanmar human rights and democracy problems). Although the 2003 EU ASEAN strategy officially incorporates the use of a flexible approach or the use of bilateralism within the framework of interregionalism, it is argued that it indirectly and implicitly indicated the Commission’s focus on the use of a bilateral approach towards the South East Asian region. This in turn illustrates the Commission’s ‘way out’ from its institutional tension with the Council, which tends to focus more on political problems in South East Asia, particularly the Myanmar problem. Crucial here is the Commission’s offer of new Bilateral Co-operation Agreements with different ASEAN countries mentioned earlier, rather than trying to renew the EU-ASEAN Co-operation Agreement which is by now obsolete, and has become impossible to pursue under the Council’s on-going Common Position towards Burma/Myanmar.

Another example is when the EU has tended to initiate more bilateral co-operation programmes, for example the SPF project, with an aim to serve the particular need of different ASEAN countries and to foster closer bilateral economic relations between the EU and those

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140 The EU also deals bilaterally with the sub-region of North East Asia, (namely China, Japan and South Korea).
countries. As Chapter 6 shows, the EU-Thailand SPF Project started in 2004 and the intention to initiate the EU-Thai Business Forum (as mentioned in a draft Bilateral Co-operation Agreement between the EU and Thailand to expected to be signed) in turn indicates that the EU’s commercial strategy is tending to move towards a bilateral approach (with close links with bilateral interregionalism), pursuing more concrete outcomes in enhancing trade and investment bilaterally. Not only a number of new Delegations were opened in Asia, for example, in Malaysia (in April 2003) and in Singapore (in January 2003), in order to ‘raise the EU’s profile across Asia, [through] strengthening and broadening the network of Delegations across the region…’ (Commission, 2001c: 19), but also the Delegation has been granted more power in managing economic co-operation programmes in order to best serve local needs through the Commission’s ‘Devolution to the Delegations’ policy (2000b). In Asia, EU representation at bilateral level has thus increasingly become important.

Influence: Focusing on Process and Performing A Background and Framework Role

Although the EU cannot claim to have full control over a ‘European’ territory or markets, as traditional statehood implies, the discussion of the EU’s commercial representation in different levels of engagement affirms that the EU does have influence in Asia. However, such influence can be better understood from the perspective of the statelike functions performed by the EU as a commercial actor in Asia.

As initially assumed (see Chapter 2, Section 2.3.3), the EU’s commercial influence seems to be most apparent at multilateral level (in the WTO) and also at regional levels – where the EU has set up two institutionalised frameworks for co-operation with Asia: the ASEM transregional organisation and the EU-ASEAN group-to-group arrangement. However, this thesis indicates that during the 1994-2004 period these two regional arrangements did not seem to produce speedy and concrete outcomes in promoting EU-Asian commercial relations. Rather, the EU has used the
ASEM as a platform for dialogue and networking between public and private sectors, particularly governments and business, from Europe and Asia; and the EU-ASEAN process as an indirect form of business engagement through economic co-operation programmes. The marginal achievement of the EU in producing tangible outcomes in Asia, both at transregional and interregional levels, does not mean a failure of the EU’s commercial and business engagement strategies. Instead, it points to the fact that the EU has focused on setting up a framework process for the promotion of EU-Asian commercial relations (alongside the Member States). As a quasi-state actor, the EU plays a proactive role in supporting and building a favorable framework for business and firms, but only at the background/framework level.

As observed in Chapter 6, at the bilateral level, the EU plays four significant roles as instanced by the Delegation in Thailand: market opener, trade and investment facilitator, financier, and coordinator. This has also suggested a background role for the Delegation in setting a framework for business, facilitating trade and investment, and ensuring that the third country complies with multilateral commitments (chiefly WTO). Rather than engaging business on a day-to-day basis, the Delegation focuses on building a process of commercial networking among commercial stakeholders, both states and firms, at the local level. While the EU plays a cooperative role among Member State Embassies in Thailand, it only assists business when there is a problem of discrimination, and where this affects a common interest of the EU. Otherwise, if it falls under Member State national interest, the Member State Embassies take full responsibility.

Hence, this thesis has observed at all three levels of the EU’s commercial engagement in Asia that it tends to perform a framework and background role. The conjecture is that such inference attests to the statelike character of the EU as a commercial actor in Asia, but at the same time it also limits that role in crucial respects.
THE EU, STATES, AND FIRMS IN GLOBAL POLITICAL ECONOMY

Chapter 1 used the concept of Triangular Diplomacy as a means of generating questions about the relations between states and firms in the changing global political economy during the post-Cold War period. Not only that, but it has also facilitated a broader understanding of the EU as a commercial actor in Asia in particular, and the place of the EU in the global political economy, or IPE, in general.

The thesis has been devoted to the analysis of state-firm relations in the European context, where the EU is viewed as a statelike commercial actor, adopting its own strategies and instruments and performing particular commercial roles alongside both states and firms. Results from the empirical investigation reported in Chapters 4-6 of this thesis confirmed that the EU, though not representing a state in traditional terms, has joined both states and firms in a set of relations displaying some characteristics of Triangular Diplomacy. This development, however, has arguably modified the pattern of state-firm relations assumed in the original version of Triangular Diplomacy suggested by Stopford and Strange. In the particular context of Europe, states and firms not only bargain between themselves, but the EU has become a formidable actor among them. As noted above, it also performs an important set of roles that can be compared to those of 'competition', 'catalytic' or 'cooperation' state.

On this basis, it is possible to reformulate the original Stopford and Strange image of Triangular Diplomacy. There is a requirement to acknowledge the commercial actorness of the EU, which points to a more complex and dynamic set of relations between the EU, states and firms. Diagram 7.1 shows the original Triangular Diplomacy model, whilst Diagram 7.2 shows how this might be adapted to reflect the EU's presence and role.\(^{141}\)

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\(^{141}\) The two models might not be entirely comparable. This is because the original version of Stopford and Strange's Triangular Diplomacy only inspired the creation of this modified model. Importantly, the necessary caveat is that such adaptation is merely suggestive and it needs further research in order to elaborate fully its implications.
Diagram 7.1: Triangular Diplomacy Model

Diagram 7.2: A Modified Model of Quadrilateral Diplomacy
Yet, it is claimed that the proposed (tentatively called) model of Quadrilateral Diplomacy reflects the new complexity of relationships between the major commercial stakeholders/actors in EU commercial diplomacy towards third countries or regions (in this particular case, towards Asia). The Quadrilateral Diplomacy framework suggests that the modelling of interactions in the global political economy would have to take into account not only the Member States of the EU and Asian governments (which represent states in traditional terms), but also the EU, itself, as a commercial actor in its own right performing some statelike functions, including the engagement of business.

In this respect, the model of Quadrilateral Diplomacy is not intended to play down the significance of Triangular Diplomacy for the explanation of state-firm relations in IPE. Rather, the modified model can be seen as taking forward, modifying and contributing to the original version of Triangular Diplomacy in the following ways:

First, the modified model distinguishes between the notions of 'Home' and 'Host' in EU-Asian commercial relations. Stopford and Strange used their Triangular Diplomacy model to investigate the relationships between host-states (of developing countries) and foreign-owned firms (particularly MNCs from developed countries). Thus they particularly referred to 'states' in the Triangular Diplomacy as 'host states' or 'host governments'. The modified model broadens this idea by first, distinguishing between 'host' and 'home' in the discussion of state-firm relations, and secondly, adding the EU as an actor into this model. It is important to note that the EU does not replace Member States in this modified framework. Rather they act alongside each other, playing complementary or competing roles\textsuperscript{142}. In doing so, major stakeholders/actors in EU-Asian commercial relations, can be identified as follows: the EU and Member States as home

\textsuperscript{142} However, one should also be bear in mind that there can also be observed a number of cases when the interests of the Member States, as well as of 'European' firms are in conflict and in competition in relation to accessing the third country markets.
states, Asian governments as host states, European business as home firms, and local business as host firms.

Secondly, in the modified framework, there exist sets of interdependent relationships among the commercial actors: home states, host states, home firms and host firms interdependently interact, engage or bargain among each other (Diagram 7.2. illustrates this interdependency through the use of arrows pointing towards each other in the modified framework). Six such sets of relationships can be identified: (i) Home states-Home firms (ii) Home states-Host firms (iii) Home states-Host states (iv) Home firms-Host states (v) Home firms-Host firms (vi) Host states-Host firms. However, as noted above, this thesis has only focused on these as they are reflected in the formulation and implementation of EU strategies, but they provide potential for further investigation.

Thirdly, a key difference between the model of Triangular Diplomacy and the modified model worth pointing out here is that the former (as used by Stopford and Strange) investigates the relations between host states from developing countries and firms from developed countries who aim at accessing the third country markets and negotiating with the relevant host governments; but the reformulation proposed here could be used as a means to investigate the relations between the EU and its Member States, which represent advanced-industrialised home states, in engaging and supporting business in an emerging economy like Asia. Thus, in this modified model the EU seems to play a positive and proactive role in relation to both states and firms, as opposed to a more defensive role of states in the original version of Stopford and Strange’s Triangular Diplomacy. While reiterating that the elaboration of the modified model is merely suggestive, this thesis claims that such pattern of relations can be deduced on the basis of its empirical investigation (in particular Chapters 4-6). However, the main focus of the thesis has been the investigation of the formulation and implementation of EU commercial diplomacy.
towards Asia, and particularly the exploration of the proactive role of the EU as a quasi-state commercial actor (and not the detailed examination of the framework of interactions that it participates in).

In exploring the possibility for an emergence of this model of a state (quasi-state)-firm diplomacy in the case of the EU and Asia, it is clear that the business engagement required by the modified model is not equally visible in all three levels of the EU commercial engagement. As argued in Chapter 4, at the transregional level the EU has attempted to pursue positive business engagement by creating the AEBF as an institutionalised channel to engage business closely into the EU’s commercial diplomacy; however the result was only modest. Despite the EU’s ambitious intentions, the EU has not yet been successful in fostering positive engagement of business at this transregional level. At the interregional level, Chapter 5 confirmed that EU-ASEAN relations remain intergovernmental in nature and that the EU does not aim to engage business at this level. Yet, this thesis suggests that the EU has one rather distinctive ‘soft’ strategy to engage business in Asia: economic co-operation programmes. Empirical investigation conducted in Thailand as part of Chapter 6 suggested that at the bilateral level not only Triangular Diplomacy but what might even be termed Quadrilateral Diplomacy seems to emerge. In the absence of distinct Brussels-originated commercial strategy towards Thailand, and given that the Bilateral Co-operation Agreement is yet to be signed, Chapter 6 surprisingly observed a ‘quadrilateral commercial network’ among diplomats from the Delegation and Member States Embassies as well as other commercial actors, principally national Chambers of Commerce, at this local level. The EU through the Delegation plays positive roles not only in assisting business but also in co-operating among Member States, resulting in commercial networking between states, firms and the EU, happening in the case of Thailand. Hence, the modified model of a complex state-firm-EU relationship has emerged at this bilateral level.
Yet, as the case of Thailand attests, the occurrence of state-firm diplomacy varies in different contexts of EU’s commercial engagement in Asia. In this way the thesis contributes to understanding the EU’s positive engagement in Thailand, particularly the positive and co-operative roles played by the European Commission Delegation on the ground; however, such a result should not be seen as not a default pattern of the EU’s positive engagement towards states and business in other Asian countries. The occurrence or absence of such engagement is a prime topic for further comparative research into the EU’s commercial engagement in different Asian countries.

In this manner this thesis makes a contribution to not only academic but also policy debates. In terms of academic debate, it has provided the IPE angle, or the analysis of business engagement, in the study of EU’s external relations towards third countries, by not only taking into account the government-to-government or intergovernmental relations between home states (the EU alongside Member States) and host states, but also more complex and dynamic relationships between EU commercial strategy and the EU’s business engagement activities. It is also expected that the empirical evidence and results reported here can, to a certain extent, make a useful contribution to policy-making processes in both Europe and Asia, by illustrating the current pattern of the EU’s commercial and business engagement in Asia and evaluating its key characteristics. Finally, the analysis of the implementation of EU commercial strategies and policies towards Asia at different levels of engagement might be useful for policy recommendations, and thus as a means to improve and move forward the prospects of EU commercial diplomacy towards Asia.
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ECAP: www.ecap-project.org
European Institutes for Asian Studies (EIAS): www.eias.org
European Commission, DG External Relations: http://europa.eu.int/comm/external_relations/
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European Commission, EuropeAid Office: http://europa.eu.int/comm/europeaid/
JETRO: www.jetro.go.jp
METI: www.meti.go.jp
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Thaieurope.net Website of Mission of Thailand to the European Communities: www.thaieurope.net
Thai Ministry of Foreign Affairs: www.mfa.go.th
TADB: www.tabd.com
UNICE: www.unice.org
WTO: www.wto.org
Annexes

Annex 3.1: List of European Commission’s Strategy Papers towards Asia

I) Broad Asia Strategy Papers

II) ASEM Strategy Papers
- ‘Regarding the Asia-Europe Meeting (ASEM) to Be Held in Bangkok on 1-2 March 1996”, Brussels, 16 January 1996 - COM (96) 4 final

III) South East Asia/ASEAN Strategy Papers
- The First ASEAN Strategy in 1996: 'Creating a New Dynamic in EU-ASEAN Relations', Brussels, 3 July 1996 - COM (96) 314 final
- Transregional EU-ASEAN Trade Initiative (TREATI), ANNEXII of ‘New Partnership with South East Asia’ Communication – COM (2003) 399/4, p. 30

IV) Bilateral Strategy Papers toward Thailand

143 This is not a comprehensive list, rather examples of significant European Commission’s strategy papers towards Asia at different levels of engagement, accumulated by the author for the purpose of this research.
Annex 4.1: ASEM Activities 2002-2004

(Source: ASEM Infoboard Website at www.aseminfoboard.org)

1. Political Activities
   1.1. ASEM Foreign Ministers' Meeting (FMM)
   - FMM 5 (Bali, 23-24 July 2003)
   - FMM 6 (Kildare, 17-18 April 2004)
   1.2. Senior Officials' Meeting (SOM)
   - ASEM SOM (Jakarta, 12-13 May 2003)
   - ASEM Preparatory SOM (Bali, 21-22 July 2003)
   - Informal ASEM SOM (Rome, 13-14 November 2003)
   - ASEM FMM 6 Preparatory SOM (Kildare, 16 April 2004)
   - ASEM SOM (Hanoi, 6-7 September 2004)
   - ASEM 5 Preparatory SOM (6 October 2004)
   1.3. Coordinators' Meeting (CM)
   - CM (Brussels, 28-29 January 2003)
   - CM (Tokyo, 7-8 July 2003)
   - CM (Dublin, 16 January 2004)
   - CM (Hanoi, 10 March 2004)
   - CM (Tokyo, 9 July 2004)
   1.4. Others
   - ASEM Seminar on Anti-Terrorism (Beijing, 22-23 September 2003)

2. Economic Activities
   2.1. ASEM Economic Ministers' Meetings (EMM)
   - EMM 5 (Dalian, 23-24 July 2003)
   2.2. ASEM Senior Officials' Meeting on Trade and Investment
   - 9th ASEM SOMTI (Paris, 5-6 June 2003)
   2.3. ASEM Economic Coordinators' Meeting (ECM)
   - ASEM ECM (Tokyo, 25 February 2003)
   - ASEM ECM (Brussels, 14 April 2003)
   - ASEM ECM (Malahide, 5 March 2004)
   2.4. Meetings of Taskforce for Closer Economic Partnership
   - 1st Meeting of Taskforce (Madrid, 6 May 2003)
   - 2nd Meeting of Taskforce (Tokyo, 8-9 September 2003)
   - 3rd Meeting of Taskforce (Frankfurt, 22 November 2003)
   - 4th Meeting of Taskforce (Bangkok, 11-12 March 2004)
   - 5th Meeting of Taskforce (Barcelona, 17 May 2004)
   2.5. Others
   - ASEM TFAP 2nd e-commerce Seminar (Helsinki, 23-24 September 2002)
   - ASEM TFAP SCA (Brussels, 10-12 December 2002)
   - 8th ASEM Meeting on Standards and Conformity Assessment (Brussels, 10-12 December 2002)
   - 1st ASEM Consultation on WTO Doha Development Agenda (Hanoi, 17-18 January 2003)

   2
   - ASEM Symposium on Multilateral and Regional Economic Relations (Tokyo, 24-25 March 2003)
- 2nd ASEM Consultation on WTO Doha Development Agenda (Paris, 5 June 2003)
- TFAP Standards and Conformity Assessment Working Group (Brussels, 29-30 April 2004)
- 9th Asia-Europe Business Forum (Hanoi, 7-8 October 2004)
- ASEM Symposium on "Iron Silk Road" (Seoul, 17-18 June 2004)

3. Financial Activities

3.1. ASEM Finance Ministers' Meeting (FnMM)
- FnMM 5 (Bali, 5-6 July 2003)

3.2. ASEM Deputy Finance Ministers' Meeting
- ASEM Deputy Finance Ministers' Meeting (Bali, 7-8 June 2003)
- ASEM Deputy Finance Ministers' Meeting (Cork, 1-2 March 2004)

3.3. ASEM Core Group Meeting (Washington D.C 24 April 2004)

3.4. Others
- 1st Customs Enforcement Seminar (Penang, 10 March 2003)
- 7th ASEM Customs Enforcement Working Group Meeting (Penang, 11-13 March 2003)
- ASEM Customs Directors General and Commissioners Meeting (Seoul, 30 September - 1 October 2003)
- ASEM Symposium on Combating Underground Banking and the Need of Supervising Alternative Remittance Service in European and Asian Countries (Berlin, 30-31 October 2003)
- 3rd ASEM Seminar of Simplification and Harmonization on Custom Procedures (Jakarta, 8-9 December 2003)
- 7th ASEM Customs and Procedures Working Group Meeting (Jakarta, 10-11 December 2003)
- 1st Steering Committee Meeting of ASEM Anti-Money Laundering Initiative (Bangkok, 12 September 2003)
- 1st ASEM Bali Initiative Workshop on Deposit Insurance System and Valuation (Jakarta, 19-23 January 2004)
- 2nd ASEM Bali Initiative Workshop on Deposit Insurance System and Valuation (Jakarta, 14-16 July 2004)

4. Cooperation on other clusters

4.1. Cultural Cluster
- ASEM Conference on Cultures and Civilization (Beijing, 3-4 December 2003)
- The Asia-Europe Seminar on Cultural Policy (Bangkok, 24-27 June 2004)

4.2. Educational Cluster
- 2nd Expert Meeting for ASEM DUO Fellowship Programme (Seoul, 14 November 2003)
- 2nd Meeting on the ASEM Education Hubs (Singapore, 2-5 November 2003)
- ASEM Symposium on Educational Exchange (Tsukuba, Japan 17-18 November 2003)

4.3. Environmental Cluster
- AEETC PGGG Meeting (Hunan, 23-24 October 2002)
2nd ASEM Environment Ministers' Meeting (Lecce, 12-13 October 2003)

4.4. Global Issues
- ASEM Seminar on Promoting Gender Equality to Combat Trafficking in Women and Children (Bangkok, 7-9 October 2002)
- 1st ASEM Meeting for Directors on Management of Migratory flows between Europe and Asia (Copenhagen, 10-12 December 2002)
- ASEM Seminar on Enhancing Support and Cooperation for Strengthening Social Policies to Assist Trafficked Woman and Children (Bangkok, 1-3 September 2003)
- 2nd ASEM Meeting for Directors on Management of Migratory Flows between Europe and Asia (Beijing, 12-14 November 2003)

4.5. Technological Cluster
- Globalization and ICT - The Role of Government, Private Sector and Civil Society in an Information Society for all (Malmo, 10-12 March 2003)

4.6. Agricultural Cluster
- Preparatory Meeting for ASEM High Level Conference on Agricultural Cooperation (Dalian, 22-23 September 2003)
- ASEM High Level Conference on Agricultural Cooperation (Beijing, 12 November 2003)

4.7. Public Health Cluster

4.8. Human Rights Cluster
- ASEM Human Rights and Economic Relations Workshop 2 (Bangkok, 22-23 February 2003)
- 5th ASEM Human Rights Informal Seminar (Lund, 16-17 May 2003)
- 6th ASEM Human Rights Informal Seminar (Suzhou, 16-17 September 2004)

5. ASEF

5.1. Meeting of Board of Governors (BOGs)
- 12th meeting of BOGs (Kuala Lumpur, 31 October - 1 November 2002)
- 13th meeting of BOGs (Berlin, 8-9 May 2003)
- 14th meeting of BOGs (Singapore, 6-7 November 2003)
- 15th meeting of BOGs (Dublin, 27-28 May 2004)

5.2. 7th Asia-Europe Young Leader's Symposium (Ho Chi Minh City, 24-29 August 2003).
Annex 4.2: AEBF8 Working Groups

(Source: AEBF8 Official Website at www.imagecity.co.kr/aebf8)

| Trade          | Chair     | Indonesia | Mr. Sunjoto Tanudjaya  
|                | Co-chair  | UK        | Mr. Philip Burton  
|                | Co-chair  | Germany   | Dr. Gert Vogt  
|                | Co-chair  | Vietnam   | Mr. Tran Viet Tuan  
|                | Chair     | Korea     | Dr. Chan Guk Huh  
| Investment &   | Co-chair  | Germany   | Mr. Juergen O. Woehler  
| Infrastructure | Co-chair  | Vietnam   | Dr. Myung Sung Lee  
| Financial      | Chair     | Korea     | Dr. Tom Hardiman  
| Services       | Co-chair  | Ireland   | Mr. Henrik N. Rasmussen  
| Information &  | Chair     | Denmark   | Mr. Choe Tong Seng  
| Telecommunications | Co-chair  | Malaysia  | Mr. Porsil Patchrintanakul  
| Life Sciences &| Chair     | Thailand  | Mr. Brian Callanan  
| Health Care    | Co-chair  | Ireland   | Mr. Alain Fabry  
| Food           | Co-chair  | China     | Mr. Li Hai Feng  
| Environment    | Co-chair  | France    |  

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Annex 4.3: ASEM TFAP Working Groups (with Facilitator Countries)
(Source: from DG Trade Official, European Commission, email received 21 November 2005)

1) **CUSTOMS:**
Facilitators: Commission, (Taxud/B/1, Isabel Menendez Ros), Japan

2) **SPS:**
Facilitators: Thailand, China, The Netherlands, Commission (Sanco/E/3, Wolf-Martin Maier);

3) **STANDARDS:**
Facilitators: Commission (Trade/E/1, Bjorn Nilssen), Thailand, Korea

4) **E-COMMERCE:**
Facilitators: Korea, Finland, Commission (Trade/G/1, Maria Stafilidou)

5) **IPR**
Facilitators: Thailand, France, Commission (Trade/H/2, Pedro Velasco Martins)

6) **DISTRIBUTION:**
Facilitators: Belgium, Singapore
Annex 5.1: List of EU Co-operation Programme towards Asia/ASEAN

Source: European Commission, 2004: Annex 2-4

I. Asia-Wide Programmes

<table>
<thead>
<tr>
<th>TITLE</th>
<th>BENEFICIARIES</th>
<th>AMOUNT €</th>
<th>START</th>
<th>END</th>
<th>OBJECTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Link 1998/002-571 2003/005-753 HIGHER EDUCATION</td>
<td>Developing Asian countries covered by the ALA Regulation (South Asia, South East Asia, China).</td>
<td>42,793,800</td>
<td>February 2002</td>
<td>December 2005 (for contracting)</td>
<td>To promote sustainable partnerships and linkages between higher education institutions in Europe and Asia.</td>
</tr>
<tr>
<td>Asia Urbs (phase I and II) 1995/002-544 1995/002-545 2003/005-732 URBAN DEVELOPMENT</td>
<td>Idem</td>
<td>46,000,000</td>
<td>July 1998</td>
<td>December 2004 (for contracting)</td>
<td>To promote durable links between European and Asian local communities through support to partnership projects led by local governments (in the field of urban management, urban socio-economic development, urban infra-structure, urban environment).</td>
</tr>
<tr>
<td>Asia Invest (phase I and II) 1995/002-624 1995/002-627 2002/004-032 TRADE AND INVESTMENT</td>
<td>Idem</td>
<td>59,800,000</td>
<td>March 1998</td>
<td>December 2007 (for contracting)</td>
<td>To facilitate partnerships between European and Asian companies and to promote capacity building for Asian companies and business associations in order to attract new trade and investment.</td>
</tr>
<tr>
<td>Project Name</td>
<td>Amount</td>
<td>Start Date</td>
<td>End Date</td>
<td>Purpose</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------</td>
<td>----------</td>
<td>------------</td>
<td>------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Asia Pro Eco 2001/002-598 ENVIRONMENT</td>
<td>31,500,000</td>
<td>November 2002</td>
<td>December 2007</td>
<td>To promote a &quot;cleaner&quot; Asia, development and adoption of less-polluting and more resource efficient products, processes and services in the Asia Region, especially in the waste and water sectors. To promote exchanges on environment policies and technologies.</td>
<td></td>
</tr>
<tr>
<td>Asia Information and Communication Technology (Asia IT &amp; C) (phase I and II)</td>
<td>45,000,000</td>
<td>August 2000</td>
<td>December 2004</td>
<td>To promote mutually beneficial partnership projects in Information Technology and Communication between Europe and Asia.</td>
<td></td>
</tr>
<tr>
<td>TOTAL COMMITTED</td>
<td>225,093,800</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
### II ASEAN Programmes

<table>
<thead>
<tr>
<th>TITLE</th>
<th>BENEFICIARIES</th>
<th>AMOUNT €</th>
<th>START</th>
<th>END</th>
<th>OBJECTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN-EU University Network Programme (AUNP) 1997/002-663 HIGHER EDUCATION</td>
<td>9 ASEAN countries signatories to EC-ASEAN Cooperation Agreement</td>
<td>7,000,000</td>
<td>January 2000</td>
<td>January 2006 (end of activities)</td>
<td>To facilitate EU-ASEAN cooperation through linkages in the field of higher education / To strengthen the capacities of universities in South East Asia.</td>
</tr>
<tr>
<td>EC-ASEAN COGEN Programme (COGEN III) 1997/004-601 ENERGY</td>
<td>7 developing ASEAN countries signatories to EC-ASEAN Cooperation Agreement</td>
<td>16,757,684</td>
<td>January 2002</td>
<td>December 2004 (end of activities)</td>
<td>To accelerate, among others through full scale demonstration projects, the implementation of proven, clean and efficient European cogeneration technologies using biomass, coal and gas as fuels within the industrial sectors in the ASEAN region.</td>
</tr>
<tr>
<td>EC-ASEAN Energy Facility 2000/002-585 ENERGY</td>
<td>7 developing ASEAN countries signatories to EC-ASEAN Cooperation Agreement</td>
<td>21,500,000</td>
<td>March 2002</td>
<td>February 2007 (end of activities)</td>
<td>To stimulate regional energy projects and initiatives proposed by the energy industry from the EU and ASEAN.</td>
</tr>
<tr>
<td>ASEAN Regional Centre for Biodiversity Conservation (ARCBC) 1997/002-973 BIODIVERSITY</td>
<td>9 ASEAN countries signatories to EC-ASEAN Cooperation Agreement</td>
<td>9,424,000</td>
<td>July 1997</td>
<td>February 2004 (end of activities)</td>
<td>To promote the establishment of a regional network between the EU and ASEAN and within ASEAN in the biodiversity sector (training, research, database).</td>
</tr>
</tbody>
</table>

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144 Cambodia, Indonesia, Laos, Malaysia, Philippines, Thailand, Vietnam
<table>
<thead>
<tr>
<th>Programme Description</th>
<th>Institution/Secretariat</th>
<th>Amount</th>
<th>Start Date</th>
<th>End Date</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN Programme for Regional Integration Support (APRIS)</td>
<td>ASEAN Secretariat</td>
<td>4,000,000</td>
<td>February 2003</td>
<td>December 2007 (end of activities)</td>
<td>To strengthen EU-ASEAN relations as a whole and complement the ongoing EC-ASEAN dialogue. To assist the ASEAN Secretariat in Jakarta (institution building).</td>
</tr>
<tr>
<td>EC-ASEAN Intellectual Property Rights Programme (IPR)</td>
<td>ASEAN Secretariat, Cambodia, Laos, Indonesia, Philippines, Singapore, Thailand, Vietnam</td>
<td>7,500,000</td>
<td>November 1996</td>
<td>July 2005 (end of activities)</td>
<td>To enhance investment and trade by contributing to upgrade the ASEAN IPR systems, in line with the highest international standards and practices.</td>
</tr>
<tr>
<td>EC-ASEAN Regional Economic Co-operation Programme on Standards, Quality and Conformity Assessment</td>
<td>ASEAN Secretariat, Indonesia, Philippines, Thailand</td>
<td>9,000,000</td>
<td>February 1998</td>
<td>December 2005 (end of activities)</td>
<td>To achieve further economic cooperation by the adoption by ASEAN of internationally compatible technical regulations and standards; conformity assessment procedures; quality structures and practices.</td>
</tr>
<tr>
<td>TOTAL COMMITTED</td>
<td></td>
<td>75,181,684</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### III Other Programmes Corresponding to Specific Needs

<table>
<thead>
<tr>
<th>TITLE</th>
<th>BENEFICIARIES</th>
<th>AMOUNT €</th>
<th>START</th>
<th>END</th>
<th>OBJECTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Second phase of EC support to the Asia-Europe Foundation (ASEF) 2002/002-706 CULTURE</td>
<td>Developing ASEM countries covered by ALA Regulation</td>
<td>3,500,000</td>
<td>Dec 2002</td>
<td>December 2006 (end of activities)</td>
<td>To promote cultural and intellectual exchanges between the civil societies in Asia and Europe.</td>
</tr>
<tr>
<td>ASEM Trust Fund II 2001/002-599 FINANCE</td>
<td>5 Asian ASEM countries: China, Indonesia, Vietnam, Philippines, Thailand</td>
<td>20,000,000</td>
<td>August 2002</td>
<td>2005 (end of activities)</td>
<td>To contribute and consolidate the process of economic and social reform in Asian ASEM countries affected by the Asian financial crisis of 1997. The Fund is managed by the World Bank.</td>
</tr>
<tr>
<td>Trans-Eurasia Information Network (TEIN) 2003/005-629 INFORMATION TECHNOLOGIES</td>
<td>6 Asian ASEM Countries: China, Indonesia, Malaysia, Philippines, Thailand and Vietnam</td>
<td>10,000,000</td>
<td>March 2004</td>
<td>2007 (end of activities)</td>
<td>To establish a regional backbone network in the ASEM countries and to link it to the European Research Network. To increase the communication between research and education communities of both regions and within the Asia region.</td>
</tr>
<tr>
<td>TITLE</td>
<td>BENEFICIARIES</td>
<td>AMOUNT (€)</td>
<td>START</td>
<td>END</td>
<td>OBJECTIVES</td>
</tr>
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</tr>
<tr>
<td>EU-Asia Civil Aviation Co-operation Project 1998/003-277 AIR TRANSPORT</td>
<td>South Asia: Bangladesh, Bhutan Maldives, Nepal, Pakistan, Sri Lanka; South East Asia: Cambodia, Indonesia, Laos, Malaysia, Philippines, Thailand, Vietnam</td>
<td>15,000,000</td>
<td>December 2001</td>
<td>August 2006 (end of activities)</td>
<td>To enhance space air safety and increase EU-Asian industrial cooperation in the area of civil aviation.</td>
</tr>
<tr>
<td>Asia Initiative for Reproductive Health for Youth RHIYA (II) 2002/002-471 HEALTH</td>
<td>Bangladesh, Sri Lanka, Nepal, Pakistan, Vietnam, Cambodia, Laos</td>
<td>18,540,000</td>
<td>March 2003</td>
<td>December 2007 (end of activities)</td>
<td>To increase the quality and accessibility of reproductive health care in seven South and South East Asian countries</td>
</tr>
<tr>
<td>Integrated Pest Management (IPM) for Cotton in Asia 1996/002-644 ENVIRONMENT</td>
<td>Vietnam, Philippines, Pakistan, China, India, Bangladesh</td>
<td>12,000,000</td>
<td>March 1999</td>
<td>October 2004 (end of activities)</td>
<td>To promote sustainable, profitable and environmentally sound production of cotton in six Asian countries.</td>
</tr>
<tr>
<td>Trust Fund with International Trade Centre</td>
<td></td>
<td></td>
<td></td>
<td>To start in 2004</td>
<td></td>
</tr>
<tr>
<td>Framework Contract for TRTA</td>
<td></td>
<td></td>
<td></td>
<td>To start in 2004</td>
<td></td>
</tr>
</tbody>
</table>
Annex 6.1: Sample of Questionnaire Form

Questionnaire
“European Commercial Strategies towards Asia/Thailand”

Miss Ajaree Tavornmas, Ph.D Researcher
European and International Studies Department, Loughborough University

I **Purpose:** To obtain information and evaluation from EU officials of the EU's commercial strategies and policies towards Asia/Thailand, particularly the impact of the EU Investment Promotion Action Plan (IPAP) in Asia/Thailand.

II **About the Research Project:**

**Title:** “Representing European Business: The Role of the European Union in Commercial Strategies towards Asia during the 1990s”

**Supervisor:** Michael Smith, Jean Monnet Professor of European Politics, Department of European and International Studies, Loughborough University

**Aim:** To analyse the EU's commercial role, representation and capacity in promoting European business in Asia, and Thailand in particular, by answering two main research questions:

- What have been the main forces shaping EU commercial strategies towards Asia (understood as the ASEM-10), and how have broad strategic frameworks been translated into more specific institutions and policies?

- In this context, to what extent, under what conditions and how can EU commercial strategies and policies promote European investment and defend the interests of European business in Asia/Thailand?

III **Confidentiality:** This questionnaire guarantees high confidentiality and will be used for academic purposes only.

IV **Time for Return:** In the interest of this research, could you please return this questionnaire via email before 15 June 2003 to A.Tavornmas@lboro.ac.uk

Thank you very much for your time in completing this questionnaire.

**Miss Ajaree Tavornmas,**
Ph.d Researcher,
European and International Studies Department, Loughborough University
A. EU Commercial Strategies towards Asia/Thailand

1) How do you evaluate the EU commercial status and the impact of EU commercial strategies in Asia/Thailand? Please specify if possible the key aims and instruments of policy as you see them.

2) What role do you see the EU as playing in its commercial strategies in Asia/Thailand? Is this a concrete and pro-active or background/framework role?

3) Do you think the EU has developed coherent commercial strategies and policies towards different Asian countries? What do you see as the key areas of success and failure in EU strategies?
B. EU-Representing/Promoting/Defending Business in Asia/Thailand

4) How do you evaluate the EU role in representing/promoting/defending European business and investment in Asia/Thailand? To what extent do you feel the EU should play this kind of role?

5) How useful are the multilateral bodies ie. WTO or OECD in promoting European business and investment in Asia? How does EU policy relate to the frameworks provided by these other organisations?

6) How useful are the EU-Asia inter-regional dialogues and networking-in the context of EU-ASEAN agreements and the ASEM, in promoting European business and investment in Asia?
7) To what extent do you see the Investment Promotion Action Plan (IPAP), under the ASEM framework, as useful in promoting EU business and investment in Asia/Thailand?

8) What do you see as the progresses of the Investment Promotion Plan (IPAP) at the present time in Asia and Thailand? How likely is it, in your view, that more will be achieved in the next five years?

9) What other frameworks, programmes, dialogues, and networking do you see as significant in promoting European business and investment in Asia? If appropriate, please recommend any key documents on how the EU promotes European business and investment in Asia.
C. Member States, European Firms, and Host (Thai) Government

10) How do you evaluate the role of the EU Member States in promoting their own business and investment in Asia/Thailand? How important in this role is the framework provided by EU initiatives such as ASEM in general and the Investment Promotion Action Plan in particular?

11) How do you evaluate the role of the European business/firms in promoting their own business and investment in Asia/Thailand? How important in this role is the framework provided by EU initiatives such as ASEM in general and the Investment Promotion Action Plan in particular?

12) What role do you think the EU Member States and European business/firms expect or prefer the EU to play in Asia? And vice versa?
13) * What do you see as the key issues in gaining market access for EU firms in Asia, Thailand? How do you evaluate the role of Asian governments/Thai government in facilitating market access for European business/firms in Asia/Thailand?

D. EU Resources in Asia: EU Delegations in Asia

14) Do you think the EU has sufficient commercial instruments and resources-both in terms of staff, organisation, and finance-in Asia, particularly in relation to promoting EU business and investment in Asia? Do you think the EU has sufficient European Commission delegations in Asia? What actions, in your view, would be required to make good any shortfalls in resources or representation?

15) In your view, what are and what should be the major roles, tasks and activities of the European Commission delegations in Asia?
16) * How do you evaluate the role of European Commission delegations as the main form of EU commercial representation in Asia? To what extent do you see them as useful and active bodies in representing EU business interests and promoting European investment in Asia?

17) * How close is the cooperation between the European Commission and the delegations in Asia in terms of operating and implementing the EU commercial strategies and policies (such as the Investment Promotion Action Plan) in Asia? What do you see as the major problems facing the European Commission in implementing agreed EU strategies and policies in Asia?

18) In your view, to what extent and how is European business interested or involved in the European Commission delegations' commercial activities in Asia?
E. Conclusion

19) Do you agree with the following statement: "At the inter-regional level, the EU can form viable strategies and policy frameworks, whilst in specific national contexts, the EU tends to leave more room for its Member States' commercial policies and European business' strategies"?

20) In your view, at the present time does the EU have the appropriate EU level-organisation/institutions in individual Asian countries to promote more European business and investment in Asia? If yes, please specify? If not yet, do you think the EU should develop such organisation in the near future? What kind of organisation should it be?

F. Further Information

21) Please recommend any other persons or organisations who might be contacted and whose views would be useful in answering this questionnaire.
22) Would you be willing to participate in a more detailed interview covering matters raised in this questionnaire? YES/NO

Thank you for responding to this questionnaire. As noted in the Introduction, responses will be treated as confidential and will not be personally attributed in use of the questionnaire data.