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- POLICY DEPARTMENT -**

**NOTE
on**

**The Association of South East Asian Nations
ASEAN**

Abstract:

The note reviews the history and background of ASEAN and retraces its evolution. A specific chapter is devoted to the ASEAN Charter endorsed by the ASEAN leaders in November 2007. The political and trade relations between EU and ASEAN are developed with particular emphasis on the on-going FTA negotiations. Attention is also provided to parliamentary relations at the regional level through the AIPA and ASEP.

A short annex provides information on Singapore where the AIPA meeting is taking place

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1. Overview of the ASEAN

On 8 August 1967, the Foreign Ministers of 5 countries, namely, Indonesia, Malaysia, Philippines, Singapore, and Thailand, signed the Bangkok Declaration to establish an Association for Regional Cooperation among the Southeast Asian countries, known as the Association of the Southeast Asian Nations (ASEAN).

The idea of ASEAN emerged in the aftermath of the Vietnam War in the 1960s for security reasons and more specifically to promote cooperation in the region against the spread of communism (the domino theory). The association was primarily driven by political and security reasons, which stood for a collective action to prevent 'the eruption of intra-regional conflicts and balkanisation in the face of growing insurgency movement.' ASEAN has indeed succeeded in maintaining regional peace and its membership has now expanded to 10 countries : Brunei Darussalam joined in 1984, Vietnam in 1995, Lao PDR and Myanmar in 1997, and Cambodia in 1999. East-Timor is likely to become the 11th Member;

As clearly stated in the Declaration of 1967, ASEAN aims 1) to promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries in the region and adherence to the principles of the United Nations Charter and 2) to accelerate economic growth, social progress and cultural development in the region. Its fundamental principles, as outlined in the 1976 Treaty of Amity and Cooperation in Southeast Asia (TAC), are mutual respect for the independence and sovereignty, non- interference in the internal affairs of one another, non-use of force and non-confrontation. Over the years, ASEAN has progressively entered into several formal and legally-binding instruments, such as the 1995 Treaty on the Southeast Asia Nuclear Weapon-Free Zone.

It is however in the trade integration field that ASEAN has been most successful. ASEAN's population accounts for about 550 million people (12% of the world population), and its combined gross domestic product reaches around 734 billion euros (1,237 € per capita as compared to 22,500 € per capita in the EU-27). In 1992, ASEAN made an important step forward by creating the ASEAN Free Trade Area (AFTA) with a Common External Preferential Tariff Scheme to promote the flow of goods within ASEAN countries. Then at the Bali summit in October 2003, seeing the need for further integration of the region, the ASEAN Leaders resolved to build on an ASEAN Community comprising the 3 pillars of security, economic development and socio-cultural integration:

- ASEAN Security Community (ASC) aims to ensure that countries in the region live at peace with one another and with the world in a democratic environment and has the following components: political development; shaping and sharing of norms; conflict prevention; conflict resolution; post-conflict peace building; and implementing mechanisms.

Prior to this commitment to build on the ASC, ASEAN established the ASEAN Regional Forum (ARF) in 1994 as a regional political security dialogue mechanism. The ARF's goals are to promote confidence building measures, develop preventive diplomacy and elaborate new approaches to conflict resolution. It discusses key regional security issues in the Asia-Pacific region, such as the relationship amongst major powers, non-proliferation, counter-terrorism and

trans-national crime and is consisted of 27 participants¹, including the European Union, USA, China and India.

- **ASEAN Economic Community** (AEC), whose foundation is the AFTA, shall be the end-goal of economic integration measures as contained in the ASEAN Vision 2020. It envisages creating a stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services, investment and a free flow of capital, equitable economic development and reduced poverty and socio-economic disparities in year 2020. The target date for completion of the AEC has now been advanced to 2015.

- **ASEAN Socio-Cultural Community** envisages a Southeast Asia bonded together in partnership as a community of caring societies and founded on a common regional identity. It shall foster cooperation in social development to raise the standard of living of disadvantaged groups and the rural population, and shall seek the active involvement of all sectors of society, in particular women, youth, and local communities.

Also in 2003, ASEAN has subscribed to the notion of democratic peace through the Bali Concord II and has, over the years, developed useful linkages with countries beyond the region through its dialogues and forums, such as the Dialogue Partnerships, the ARF, ASEAN Plus Three², and the East Asia Summit (EAS)³.

In 2006, ASEAN was given observer status at the United Nations General Assembly and has, in 2007, stated that it aims to complete all its free trade agreements with China, Japan, South Korea, India, Australia and New Zealand by 2013, in line with the establishment of the ASEAN Economic Community by 2015. The Heads of State of ASEAN also signed in November 2007 the ASEAN Charter (still to be ratified by some of its 10 members), a constitution governing relations among the ASEAN members and establishing ASEAN itself as an international legal entity (see chapter 2 below).

The early ASEAN integration was promising. However, the level of diversity within ASEAN is considerable and the risk to have a two-speed ASEAN with a faster development for the five founding members and a late and slower speed for the other could exacerbate those disparities.

2. The ASEAN Charter

During its 40 years of existence ASEAN has kept the region peaceful, set up the framework for a single market and developed a regional security architecture. There is however no guarantee that ASEAN will continue to be relevant in the coming decades and remain the driving force in regional cooperation. ASEAN must reposition itself to address the growing challenges and opportunities of regional integration, the major shifts in the Asian landscape brought about by the rise of China and India and Asia's widening links with the rest of the world. The ASEAN Charter is a positive development meant to define an appropriate institutional framework for ASEAN that is able to meet the challenge of realising an ASEAN community by 2015.

¹ The present participants in the ARF are: 10 ASEAN members, Australia, Canada, China, EU, India, Japan, 2 Koreas, Mongolia, New Zealand, Pakistan, Papua New Guinea, Russia and the US.

² ASEAN Plus Three includes: 10 ASEAN members, China, Japan and South Korea.

³ EAS includes: 13 ASEAN Plus members, Australia, India and New Zealand.

2.1 The process

The intention to draft an ASEAN Charter was formally tabled at the 11th ASEAN Summit held on 12 December 2005 in Kuala Lumpur. The scope of the Charter should include the future objectives of the organisation and its institutional aspects including the way to confer a legal personality to ASEAN in order to transform it into a rules-based organisation.

An Eminent Persons Group (EPG) made of leading political figures from the 10 Member States was formed in December 2005 and tasked to produce recommendations on the nature of the charter. The report, based on wide-ranging consultation including Asian civil society organisations and the EU institutions, was endorsed by the 12th ASEAN summit and made public in January 2007. A High-Level Task Force, more confidential than the EPG, was then mandated to draft the Charter. The final version was adopted by the Heads of State at the 13th ASEAN Summit on 12 November 2007. It has now to be ratified by all Member States to become legally binding. The target date is December 2008 but so far only 6 countries have ratified the Charter. Indonesia and the Philippines may face some difficulties - Indonesia because of criticisms of the ASEAN bureaucracy and the Philippines because of concerns about the detention of Aung San Suu Kyi in Myanmar.

2.2 The result

The mandate of the EPG was to be bold and visionary. And its report was clearly going in that direction. For example one of the proposals included alternatives to the non-interference policy that is central to the regional group since its formation in the 1960s. Other ones were the creation of a Human Rights Council, of an ASEAN Parliament and the introduction of majority voting. However the final version which has been adopted has suffered from considerable modifications, the leaders having chosen to continue the ASEAN traditional method of decision-making by merely codifying existing norms. According to many analysts the final result is delivering very little as compared to the high expectations.

The ASEAN Charter indeed confirms the guiding principles of non-interference and non-intervention, allowing each member country to forge its own identity. In terms of its *modus operandi*, the Charter continues the ASEAN principle of working by consensus, rather than by binding agreements, even though this has been relatively ineffective in the past. It also introduces a new procedure whereby a single member can now veto moves towards greater economic liberalisation or integration.

While the Charter has given the organisation a legal personality, with a clear set of principles and goals, ASEAN's integrity has been compromised by Myanmar's participation, since while the Charter stresses the rule of law, good governance, democracy and constitutional government, these are all aspects which Myanmar continually flouts. And the Charter lacks mechanisms for dispute settlements and sanctions, a key issue as one of the main problems of ASEAN remains the implementation of its decisions.

Another organisational shortcoming concerns ASEAN's democratic machinery - as it acknowledges the usefulness of the ASEAN Inter-Parliamentary Assembly (AIPA), but fails to give it any democratic power. Finally, the charter strengthens the ASEAN Secretariat but the ASEAN budget (9 million USD) remains abnormally low.

However, on the positive side, the ASEAN Charter is brief but comprehensive and written in a clear way, all the opposite from the failed European Constitution. The ASEAN Summit is now the supreme policy-making body and will meet twice-yearly, and there will also be a

Coordinating Council of Foreign Ministers, which will meet twice-yearly. There will be three Councils for each of the three Communities and the Secretariat has been strengthened, although there will be no additional finance to support its extended role.

The Human Rights Body to be established under the ASEAN Charter will have to promote and protect basic human rights and fundamental freedoms. Its mandate and tasks remain to be defined, a difficult task with regard to the different political systems in ASEAN. According to information, the ASEAN Ministers of Foreign affairs will soon agree on terms of reference for a High Level Panel which will be tasked with preparing terms of reference for the Human Rights Body.

3. Parliamentary cooperation

In the last years, the relations between Asia and Europe have intensified and the need to further reinforce this interaction in the context of globalization and of an increasingly inter-dependent world appeared. An intensification of parliamentary relations has also taken place, as well as a strengthened cooperation with all the regional organizations, and increasing people-to-people contacts. The first contact of the European Parliament with the Asian continent was with the countries members of the Association of Southeast Asian Nations (ASEAN) and took place in 1976.

3.1 ASEAN Inter-Parliamentary Assembly (AIPA).

In the early 1970's, encouraged by the progress being made by ASEAN, the Indonesian House of Representatives came up with the idea of setting up an organization consisting of the parliaments of the then five ASEAN member countries of Indonesia, Malaysia, the Philippines, Singapore and Thailand. The first ASEAN Parliamentary Meeting (APM) was held in January 1975 in Jakarta and the ASEAN Inter-Parliamentary Organisation (AIPO) created in 1977. The "Statutes of the ASEAN Parliamentary Cooperation" defines the objective as to promote closer cooperation between the parliaments of ASEAN member states and between AIPO and other parliamentary organisations.

As ASEAN progress towards the building of an ASEAN community by 2015, the aspiration of establishing an ASEAN Parliament resurfaced. The idea of an ASEAN Parliament was first proposed by the Philippines in 1980. However, at the 27th AIPO General Assembly held in 2006, there was consensus that the ASEAN Parliament would be a long term goal. It was further concurred that it would be more appropriate to first proceed with the transformation of the organization into a more effective and closely integrated institution and along with it to change the organization's name from the ASEAN Inter-Parliamentary Organization (AIPO) to the ASEAN Inter-Parliamentary Assembly (AIPA).

The two ASEAN countries that do not have a parliament (Brunei and Myanmar) have the status of "Special Observer Country". The European parliament participated in the annual meetings of AIPO since 2000 with Observer status.

3.2 Asia - Europe Parliamentary Partnership (ASEP)

As a result of an initiative of the European Parliament, the Asia - Europe Parliamentary Partnership (ASEP) offers the opportunity for parliamentarians from the European Parliament and from the national parliaments of the EU Member States to meet their counterparts from China, Japan, Korea and the ASEAN countries. The initial Asia - Europe Parliamentary Partnership (ASEP) was held on 1 April 1996, in Strasbourg. ASEP has been intended to serve as the parliamentary counterweight for Asia - Europe Meeting (ASEM).

Because ASEM is a broad forum in which both the EU and the main Asian countries are represented, including ASEAN, ASEP is considered by MEPs and ASEAN delegates as the best place assembly for giving parliamentary guidance to the ASEM process in which the ASEAN region plays an important role. Subsequent ASEP meetings took place in Manila in August 2002 , Hue in March 2004 , Helsinki in May 2006 and Beijing in June 2008.

Results of ASEP are submitted to the leaders during the ASEM summits, so, the role of the Asia - Europe Parliamentary Partnership is promoted in strengthening ASEM co-operation. ASEP has become the parliamentary arm of ASEM by giving parliamentary guidance to the ASEM process and involving parliaments in the implementation of the ASEM initiatives.

4. EU-ASEAN Relations¹

The EU greatly supports regional integration and the regional organisations that work to achieve this goal. In this global strategy ASEAN receives much attention and the EU is a longstanding dialogue Partner of ASEAN (more than one billion € have been committed for 2007-2013 for bilateral and regional development programmes).

Co-operation between the EU and ASEAN is based on the 1980 Co-operation Agreement between the EC and member countries of ASEAN: Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. Protocols for the accession of Laos and Cambodia to the Agreement were signed in July 2000 but the EU has indicated that it cannot agree to negotiate an extension of this agreement to Myanmar (Burma) as long as the situation as regards democracy and human rights in that country does not improve significantly. Myanmar (Burma), may participate in EC-ASEAN co-operation actions provided they are in line with the Council Common Position on restrictive measures against this country.

In September 2001, the European Commission's presented its Communication "Europe and Asia: A Strategic Framework for Enhanced Partnerships", which identified ASEAN as a key economic and political partner of the EC and emphasised its importance as a locomotive for overall relations between Europe and Asia. The Commission Communication 'A New Partnership with South East Asia', presented in July 2003, reaffirms the importance of the EC-ASEAN partnership and identifies six strategic priorities by which the EU's relationship with ASEAN and the countries of South East Asia could be improved:

- 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

The EC-ASEAN Joint Co-operation Committee (JCC) promotes and keeps under review the various co-operation activities envisaged in the Co-operation Agreement. An official-level Committee usually meets every 18 months (the last one met on 4 May 2007).

¹ sources : DG Relex and DG Trade

4.1 Political dialogue

Political dialogue between the EU and ASEAN at foreign minister level was launched in 1978 and takes place every second year.

The 16th EU-ASEAN Ministerial meeting took place in Nuremberg on 14-15 March 2007. All 27 Member States of the EU and the 10 member countries of ASEAN participated, while Commissioner Ferrero-Waldner represented the Commission. There was a shared perception that the EU and ASEAN, together representing around 1 billion people and committed to the same principles of regional and multilateral cooperation, had a very great potential to work together to address global challenges. Both sides welcomed the progress made in strengthening bilateral relations since formal relations were established 30 years ago.

It was agreed by all that EU/ASEAN cooperation in the ACEH Monitoring Mission had given the relationship a new political vigour. The meeting discussed the progress made in the EC-ASEAN cooperation programmes, the negotiations of Partnership and Cooperation Agreements, the various sector dialogues between the two regions, and the strengthening of the economic relations. The meeting marked a step change in EU/ASEAN relations, reflecting a wish by both sides to increase engagement at a time when ASEAN accelerates the pace of its own integration and the EU seeks an enhanced role in South East Asia. A Nuremberg Declaration on an EU-ASEAN Enhanced Partnership was adopted setting out a shared aspiration to boost cooperation further.

The first-ever EU-ASEAN Summit took place on 22 November 2007 in Singapore. The event was organised to celebrate 30 years of formal relations between the EU and ASEAN and to further enhance bilateral dialogue and cooperation. The summit meeting discussed the achievements and prospects of the EU-ASEAN partnership, as well as regional and global issues such as the process of ASEAN integration, energy, climate change and environmental sustainability, and the situation in Myanmar (Burma). A Plan of Action to implement the Nuremberg Declaration was also endorsed by the summit and the EU confirmed its intention to accede to the Treaty of Amity and Cooperation (TAC).

4.2 Trade relations

The enlarged EU is currently ASEAN's second largest trading partner, ahead of China and Japan, and accounting for 11.7% of ASEAN trade in 2006. ASEAN as a bloc is the EU's fifth largest overall trading partner, ahead of Japan, Norway and Turkey. Despite the current level of trade, the enormous potential from enhancing the economic partnership led the EU and ASEAN in 2007 to launch negotiations on a Free Trade Agreement (see 4.3 below).

ASEAN's trade with the EU has been growing steadily over the past five years, with an average annual growth rate of 4%. The EU main exports to ASEAN in 2006 were chemical products, machinery and transport equipment. The main imports from ASEAN to the EU were machinery and transport equipment, as well as chemicals, textiles and clothing. The EU is by far the largest investor in ASEAN countries: 27% of total FDI inflows from 2001 to 2005 come from the EU, compared to 15% for the US.

The key challenge for our relations is to promote region-to-region economic relations, particularly by addressing non-tariff barriers through regulatory co-operation using the

framework of TREATI (the Trans-Regional EU-ASEAN Trade Initiative)¹, and ultimately to enter into a preferential regional trade agreement

4.3 EU-ASEAN FTA

In April 2005 Commissioner Mandelson and ASEAN Economic Ministers set-up a "Vision Group" composed of senior economic officials, with the main objective to investigate the feasibility of new initiatives, including an FTA, to improve economic ties. The EU-ASEAN Vision Group has played a critical role in building mutual confidence and understanding at an early stage, essential precursors for the success of future negotiations.

In October 2006, the Commission issued the Communication "Global Europe, Competing in the World" where ASEAN emerged as a priority FTA partner. Such an FTA would need to be comprehensive and ambitious in coverage, aiming at the highest possible degree of trade liberalisation including far-reaching liberalisation of services and investment. On 23 April 2007 the Council authorized the Commission to start negotiating an FTA with ASEAN (and also with India and Korea) and negotiations were officially launched on 4 May 2007. Both sides however confirmed that a successful conclusion of the DDA round of multilateral trade negotiations remains their priority.

The negotiating process between EU-ASEAN is based on a region-to-region approach. It is clearly more complicated and time-consuming to negotiate an agreement with ten independent country than an agreement with a single country, particularly when there is wide variation of development level. Those different levels of development and capacity of individual ASEAN members have to be recognized and are taken into account.

Some ASEAN members, such as Laos and Cambodia, may choose to stay out for the time being (they already benefit from the EBA system) or need longer transition periods, additional flexibilities and guarantees, such as special and differential treatment. Myanmar's political situation means that the EU objects to its participation in the negotiations unless a credible democratisation process begins (the EC has requested ASEAN to come up with a solution to this problem to agree on a negotiations format). The EU may have to negotiate with individual countries in parallel to the ASEAN umbrella in order to make progress or propose a more flexible arrangement to conclude an agreement with only those ASEAN members that are ready for an FTA.

An ASEAN-EU FTA Joint Committee has been established and held its fifth round of negotiation in Manila on 25 June 2008. Results are mixed so far and the timeframe for the negotiations will probably be extended from 2 to 4 years. The ASEAN side currently shows a low level of ambitions, both in terms of content and timeframe. Some ASEAN countries have difficulties in including subjects such as public procurement, IPR or competitiveness in the agreement and the lowest common denominator approach is often adopted. Vietnam , as coordinator on the ASEAN side, should be encouraged to play an active role.

Civil society groups have already signalled their concern over the EU-ASEAN FTA referring mainly to its implications for development, services trade and the Singapore issues. They asked for more involvement of civil society groups and a comprehensive sustainability impact assessment (SIA) before launching the talks.

¹ **TREATI** is a framework for dialogue and regulatory co-operation developed to enhance EU trade relations with ASEAN. The priority areas for co-operation under TREATI are closely linked to ASEAN's own drive for economic integration and comprise sanitary and phytosanitary standards in agro-food and fisheries products, industrial product standards and technical barriers to trade, and forestry and wood-based products.

The EP adopted on 8 May 2008 a resolution on Trade and Economic Relations with ASEAN (rapporteur: Glyn FORD) that supports an ambitious trade agreement that would greatly benefit both sides. The EP also expresses its concern about the slow pace of negotiations but refuses to sacrifice the quality of the agreement in search of a quick deal. The EP also insists that negotiations with ASEAN remain complementary to the WTO-DDA which remains the Union's trade priority.

ANNEX : SINGAPORE

1. Country Profile and Background¹

Population (2007): 4.55 million (including non-residents)

Density : approx. 6600 hab/km²

Ethnicities: Chinese 76%, Malay 15%, Indian 7.6%, other 1.4%

Religions: Buddhism (42%), Islam (15%), Christianity (15%), Hinduism (5%),

Languages: English, various Chinese, Malay and Tamil (all official)

GDP Growth (2006): 7.90%

GDP Per Capita at PPP (2006): Euro 23 000

Public debt (2006): 100% of GDP



Two centuries ago, Singapore was little more than a collection of swamps. Today it is the world's third largest trading centre, after New York and London. This tiny city-state (about 682 km²), an island off peninsular Malaysia, witnessed British rule as a colony from 1819, then limited self-rule, before briefly joining the Federation of Malaysia in 1963. Ethnic tensions across the Federation, however, precipitated Singapore's independence as a parliamentary republic in 1965.

This Chinese-dominated state has since become the second port in the world and a global player in oil-processing, high-tech manufacturing and financial sectors. While Singapore is formally a democracy, this economic transformation occurred under the stewardship of a single political party (the People's Action Party (PAP), a political environment unlikely to change in the foreseeable future. Lee Kuan Yew, Prime Minister from 1965 to 1990, and still a senior minister, was sometimes accused of establishing 'soft authoritarianism'. Yet, while Singapore has lacked and still lacks western-style political pluralism, many of its indicators compare very favourably with European standards. It has a consistently impressive record on lack of corruption, public order and ethnic harmony, among other indicators.

With a population of Chinese, Malay, Indian and European decent, the "Lion city" constantly seeks to reinvent itself as an international 'hub' for trade and investment. In economic wealth terms, only Japan and Hong Kong have higher GDP per head in Asia. Despite such success, outsiders will retain questions regarding Singapore's political environment and the independence of the judiciary.

2. Political Environment

2.1 Political Structure :

Singapore is a parliamentary democratic republic based on compulsory universal suffrage. Legislative power is vested in the unicameral parliament, currently consisting of 94 MPs, of which 84 are elected, one is a Non-Constituency Member of Parliament and nine are Nominated Members. With economic growth still strong in the first quarter of 2006, Prime Minister Lee decided to call an early general election in May 2006. Wholly predictably, the People's Action Party (PAP) won again a massive majority in parliament, taking 82 out of the 84 available seats and 66.7% of the vote (down

¹ World Markets Research Centre, Singapore Country Analysis, ; Map: CIA World Factbook,

however from 75.3% in 2001). Another difference with the 2001 elections, is that this time the opposition parties together contested half the constituencies (but won only 2).

2.2 Major Political Parties and Players¹

The **People's Action Party (PAP)** has been in power since independence in 1965. It controls all aspects of the political life on the island and, despite its little enthusiasm for political openness, is widely supported for all its economic successes.

Prime Minister Lee Hsien-loong is the son of former PM Lee Kuan-Yew. He became Prime Minister on 12 August 2004. Considered a hardliner on social issues, he has nonetheless stated that greater political freedom and openness is required if Singapore is to remain competitive. It remains to be seen how this statement will be translated into political measures. Lee overcame health problems in the early 1990s to formulate domestic economic policy in response to the 1997 Asian crisis. He is also Minister of Finance. Mr. Lee's wife is executive director of the government-linked holding company Temasek Holdings.

Minister Mentor Lee Kuan-yew was the founder of the ruling People's Action Party (PAP) and Prime Minister from 1965-1990, and is now a senior minister. Known as the *Father of the Nation*, Lee still commands popular respect, and important albeit reduced powers.

The main opposition parties are the **Singapore Democratic Party (SDP)**, the **Workers Party of Singapore (WP)** and the **Singapore Democratic Alliance (SDA)** but they are unable to force changes to government plans (see below).

Chee Soon Juan : Secretary-general of the Singapore Democratic Party (SDP). Currently the most prominent critic of the government, but cannot hold a parliamentary seat owing to bankruptcy conviction.

Chiam See Tong : The longest-serving opposition member of parliament, returned again by the Potong Pasir constituency in the general election in May 2006. Head of the Singapore People's Party.

Low Thia Kiang : Head of the Workers' Party and opposition MP for Hougang. An effective and resilient critic of government policies.

J B Jeyaretnam : the former leader of the opposition Workers' Party, unsuccessfully appealed against the bankruptcy imposed on him in 2001 after a series of politically motivated defamation suits. He was therefore unable to stand for re-election in 2006. He has now paid his fines and plans to re-enter politics

2.3 Democracy, Pluralism and Freedom of expression

Singapore can be described as a "*democracy of one party*". Political opposition remains weak and fragmented partly due to restrictions on freedom of speech and an electoral system that favours the PAP. Those constituencies returning opposition MPs in national elections face effective economic sanctions, with housing upgrading given lower priority than in areas supporting the government.

The government and PAP members keep up the pressure on any form of opposition, with civil defamation suits and criminal charges used or threatened against government critics, human rights activists, and foreign news media. This tactic has resulted in the award of significant damages against opposition figures, which has caused either the self-imposed exile of these individuals or bankruptcy. A law barring those declared bankrupt from serving as MPs has removed these figures from the

¹ World Markets Research Centre, Singapore Country Analysis, April 2005

immediate political arena. The most prominent recent target has been Chee Soon Juan, the secretary-general of the Singapore Democratic Party (SDP).

The PAP has also been successful in demolishing alternative focuses of opposition activity. Labour unions were brought to heel in the 1960s through tough legislation. Professional groupings also follow the party line, which helps to deter lawyers and others from entering politics on the side of the opposition. A disciplinarian approach by university authorities has likewise deterred academics from becoming too closely involved in the political process.

The Internal Security Act (ISA) allows the Government to hold detainees without trial. The death penalty remains mandatory for drug trafficking, murder, treason and certain firearms offences.

3. External Relations¹

Singapore was a founding member of the Association of South East Asian Nations (ASEAN) and its relations with other members of ASEAN dominate its foreign policy. It supports a strategy of regional integration but during the 1990s grew increasingly frustrated with the organisation's modest progress on liberalising regional trade. Singapore is also increasingly at odds with some in ASEAN over Myanmar, whom Singapore feels is tarnishing the group's global image and has become a major obstacle in the EU/ASEAN relations. It was instrumental in the decision taken by Burma in July 2005 at the ASEAN Ministerial conference to forego its scheduled chairmanship of the regional grouping in 2006.

Malaysia : Relations have been strained since Singapore's independence from the Malaysian Federation in 1965. A mixture of major and trivial disputes exist, centred on race relations, port rivalries, water supply, alleged environmental damage resulting from land reclamation work, the position of Malaysian passport control, the extent to which the Singaporean air force can over fly Malaysia, etcetera.

Indonesia : Singapore has also had a difficult relationship with Indonesia . When Indonesia's president Soeharto was toppled in 1998, business links that had developed in the Indonesian islands to the south of Singapore but also turning the Lion city as an offshore financial centre for the Indonesian Chinese business elite, became a hindrance. Relations with successive Indonesian Presidents were then lukewarm, at best. Singapore sent nearly 1,000 troops to the Indonesian province of Aceh as part of the international tsunami relief effort there in early 2005 and has contributed to the ASEAN contingent under the EU Aceh Peace Monitoring Mission.

4. Economic situation : A dynamic and open economy

Singapore is a highly developed market-based economy and international trade hub which historically developed around extended entrepot trade (as a former colonial trading port) as well as high quality business services in finances, insurance, and logistics. Along with Hong Kong, South Korea and Taiwan, Singapore is one of the Four Asian Tigers. Its economy depends heavily on exports refining imported goods, especially in manufacturing. Manufacturing constituted 28 percent of Singapore's GDP in 2005. Industrial production is well diversified into electronics, petroleum refining, chemicals, mechanical engineering and biomedical based manufacturing.

¹ Economist Intelligence Unit, Singapore Country Profile, June 2007

Singapore's economic strategy based on openness, high quality infrastructure and a qualified work force to attract investment proved a success, producing real growth that averaged 8 percent from 1960 to 1999. Recent years have seen Singapore aggressively promoting and developing its biotechnology industry. Hundred of millions of dollars were invested into the sector to build up infrastructure, fund research and development and to recruit top international scientists to Singapore. Pharmaceuticals now account for more than 16 percent of the country's manufacturing production.

Singapore is the busiest port in the world in terms of tonnage shipped and is the world's fourth largest foreign exchange trading centre after London, New York City and Tokyo. Singapore plays a significant role in trade between Asia and Europe with a large proportion of goods going either way passing through Singapore's port.

5. EU-Singapore Relations¹

EU-Singapore relations are maintained on regional and bilateral terms. Previously, the ASEAN-EU framework of 1980 provided the basis for formal dialogue. However, in 2000, it was mutually agreed that growing EU-Singapore links warranted a bilateral mechanism. December 2002 saw the opening of an EC Delegation in Singapore. The EC and Singapore have also reaffirmed their partnership on assistance provision (financial or training) for the less developed ASEAN countries. Due to its high level of development, Singapore is no longer eligible for EC economic and development assistance. However Singapore takes part in both Asia-wide and ASEAN specific EC assistance programmes, at its own cost. Further, it hosts and assists the Asia Europe Foundation (ASEF), the main instrument for cultural exchange between Asia and Europe.

Official negotiations for the conclusion of a bilateral Partnership and Co-operation Agreement (PCA) between the EU and Singapore were announced at the fifth Asia-Europe Meeting (ASEM), Hanoi, in October 2004. The EU is currently finalising this PCA with Singapore in order to provide a solid contractual base for the bilateral relationship. The agreement will allow for enhanced cooperation on a wide range of policy areas including trade and investment, higher education, science and technology. On several occasions, Singapore has invited the EU for more pronounced European engagement in South East Asia. Singapore feels that Burma is overshadowing more important issues and has become a major obstacle in the EU/ASEAN relations.

EU - Singapore Trade Relations

Trade : In 2006 the EU was Singapore's 2nd largest trading partner after Malaysia. The EU accounts for 11.3% of Singapore's total external trade, purchasing 11.1% of Singapore's exports and providing 11.4% of its imports. These figures put the EU ahead of the US, China and other ASEAN members (except Malaysia).

Singapore was the 16th largest client for European merchandise trade, and the destination of 1.7% of the EU's total export in 2006. This makes it the EU's largest export market in Southeast Asia. EU's exports to Singapore are concentrated in machinery and transport equipment (accounting for 55%), chemicals (13.4) and miscellaneous manufactured articles (10.8%). The EU's overall imports from Singapore are concentrated in machinery and transport equipment (55.6%) and chemicals (31.6%).

¹ EC, DG Relex

Investment : The latest available figures from the end of 2005 show that the EU was by a clear margin the most significant source of FDI in Singapore. The EU FDI stock amounted to S\$104 billion (some 34% of total), with the USA at S\$43 billion and Japan at S\$41 billion. The most important sectors for EU FDI in Singapore are manufacturing as well as financial and insurance services. Over 2000 EU companies are estimated to have a presence in Singapore.

At the end of 2005 the total stock of Singaporean FDI in the EU stood at €10.8 billion, which accounts for roughly 6% of Singapore's total investment stock abroad. This makes Singapore the 7th biggest external investors within the European Union. At the end of 2005 Singapore hosted 61% of EU FDI in ASEAN, and 14% of the total EU FDI stock in Asia.

6. The EP and Singapore

Over the past decade, there have been several bilateral meetings, often in the form of a working group visit to Malaysia and Singapore. The seventh and last EP-Singapore IPM took place in November 2005. The European Parliament also enjoys an observer status with AIPA (ASEAN Inter-Parliamentary Assembly) and participates in the annual general assembly of AIPA .

On 13 April 2007, seven Members of the European Parliament from the Alliance of Liberals and Democrats (ALDE) visited Singapore to foster greater cooperation between parliamentarians and democratic parties in Asia and Europe. Their program in Singapore included participation in a meeting organized by the opposition Singapore Democratic Party (SDP). Upon their arrival they were informed that the Singapore Government had denied them the right to speak at the SDP event. The MEPs met with PAP Members of the Singapore Parliament, including the Deputy Speaker, Ms Indranee Rajah, who reiterated the government opposition. The fact that Members of the European Parliament were not allowed to speak at a public meeting organized by another legally recognized political party of Singapore was strongly denounced by the EU.