



COMMISSION OF THE EUROPEAN COMMUNITIES  
EXTERNAL RELATIONS DIRECTORATE GENERAL

DIRECTORATE Asia (except Japan and Korea)  
**Policy, Planning and Coordination**

**STRATEGY PAPER and  
INDICATIVE PROGRAMME  
FOR MULTI-COUNTRY PROGRAMMES IN  
ASIA  
2005-2006**

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## EXECUTIVE SUMMARY

This paper provides a framework for programmes covering more than one Asian country. These multi-country programmes are intended to supplement bilateral programmes in areas, where they are more effective than bilateral programmes.

The paper proposes multi-country programmes in the following areas:

- (1) Asia-wide programmes<sup>1</sup> on trade and investment, on higher education, and on environment.
- (2) A programme to support the Association of South East Asian Nations (ASEAN), focused on implementing the new strategy on South East Asia including issues such as deeper trade integration with EU and anti-terrorism.
- (3) A programme to support the South Asian Association for Regional Cooperation (SAARC), focused on trade integration among South Asian countries.

These programmes have been selected because they respond to specific EU sub-regional agreements with ASEAN and SAARC and/or because the support can best be delivered at the multi-country level. These programmes do not attempt to address all priorities in the EC's strategies with Asia. National programmes and other instruments in the EC's policy mix will be used to address those issues not covered here.

The number of priorities is limited to ensure focus and a concentration of resources, key requirements placed on the EC by the reform of external assistance. At the moment the Commission runs more multi-country programmes in Asia than foreseen in this paper. Where they do not correspond to priorities, ongoing programmes will be phased out.

The strategy maintains flexibility to launch additional multi-country actions during the duration of this strategy paper, if such additional programmes are needed.

This strategy paper and indicative programme cover a relatively short period of time (2005-2006) in order to bring the programming cycle for multi-country programmes in line with the cycle for bilateral programmes.

In 2005 – 2006 the budget allocation for the activities in this paper will be € 85–100 million (indicative budget in chapter 6.2.).

The priorities for multi-country support and allocation of resources are further detailed in the Indicative Programme in part B of this document.

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<sup>1</sup> Asia-wide programmes cover in principle all Asian countries, which are eligible under the ALA Regulation: Afghanistan, Bangladesh, Bhutan, Burma/Myanmar, Cambodia, China, East Timor, India, Indonesia, Laos, Malaysia, Maldives, Mongolia, Nepal, North Korea, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam

## Part A: Strategy Paper for Multi-country Programmes

### 1. EU AND EC ASSISTANCE OBJECTIVES IN ASIA

The purpose of this paper is to provide a framework for programming EC multi-country development assistance for Asia-wide programmes<sup>2</sup> and for programmes addressing specific sub-regions, notably the Association of South East Asian Nations (ASEAN) and the South Asian Association for Regional Cooperation (SAARC). The multi-country programmes are to supplement bilateral programmes in areas, where support is more effectively provided on a multi-country basis.

It is the first time that the Commission drafts a programming document covering all multi-country programmes in Asia. The idea is to provide a single strategic framework for all multi-country programmes in Asia supported by the ALA budget line (19.10). This comprehensive approach allows defining different levels of intervention (Asia-wide, sub regional, ASEAN, etc.) and shows clearly the differences and similarities of the various multi-country programmes.

Establishing a separate programming document for each of these multi-country programmes might have allowed for a series of documents, which would each have been shorter and more concise than a paper covering all multi-country interventions, but the overall regional view would be lost in such an approach.

This multi-country assistance focuses on contributing to the implementation of the priorities set in the overall EC strategy for Asia<sup>3</sup> as well as in the recently published EC strategies for ASEAN<sup>4</sup> and China<sup>5</sup>. As concerns the development policy aspects the point of reference is the Communication on the European Community's development policy<sup>6</sup>, as reflected in the Asia specific communications.

The legal basis for development assistance to Asia is Council Regulation (EEC) Nr. 443/92.<sup>7</sup> The Regulation confirms the need for this regional cooperation element, indicating that "regional cooperation shall be considered a 'priority area' for financial and technical assistance" and an 'important sector' for economic cooperation.

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<sup>2</sup> Asia-wide programmes cover in principle all Asian countries, which are eligible under the ALA Regulation: Afghanistan, Bangladesh, Bhutan, Burma/Myanmar, Cambodia, China, East Timor, India, Indonesia, Laos, Malaysia, Maldives, Mongolia, Nepal, North Korea, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam

<sup>3</sup> Commission Communication 'Europe and Asia: A Strategic Framework for Enhanced Partnerships', COM(2001), 469 final, 4 September 2001

<sup>4</sup> Commission Communication on a 'New Partnership with South East Asia', COM(2003) 399/4, July 2003

<sup>5</sup> Commission Policy Paper for Transmission to the Council and the European Parliament on 'A maturing partnership – shared interests and challenges in EU-China relations, COM(2003) 533 final, 10 September 2003

<sup>6</sup> Communication on the European Community's Development Policy, COM(2000) 212 final,

<sup>7</sup> Official Journal L 51, 27 February 1992

## 1.1. Commission objectives in Asia

The basic strategy that guides all EC actions in Asia – including development assistance – is set down in the 2001 Commission Communication ‘Europe and Asia: A Strategic Framework for Enhanced Partnerships’. The General Affairs Council has endorsed the priorities proposed in this strategy.

The strategy identifies six objectives for this EC-Asian cooperation:

- (1) Contribute to peace and security in the region and globally, through a broadening of our engagement with the region.
- (2) Further strengthen our mutual trade and investment flows with the region.
- (3) Promote the development of the less prosperous countries of the region, addressing the root causes of poverty.
- (4) Contribute to the protection of human rights, spreading of democracy, good governance<sup>8</sup> and the rule of law.
- (5) 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;
- (6) Help strengthen the awareness of Europe in Asia (and vice versa).

Building on the recognition of the great diversity in Asia, the Commission Communication differentiates sub-regions (South Asia, South East Asia and North East Asia) and calls for sub-regional strategies and approaches to be developed. The inclusion of programmes for ASEAN and SAARC in this strategy paper follows this approach.

Most of the Communication’s objectives will be achieved through bilateral cooperation with the individual countries concerned. However, in certain cases, objectives can be more effectively addressed at the Asia wide or sub-regional levels and the response strategy developed further down in this paper will indicate the subjects, for which this is the case.

## 1.2. Association of South East Asian Nations (ASEAN)<sup>9</sup>

In line with its overall approach to Asia, the EC released in July 2003 a strategy on ‘A new partnership with South East Asia’<sup>10</sup>.

Implementation of this Communication’s recommended actions is a key priority for the EC over the coming years. In the context of financial assistance, this strategy will be

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<sup>8</sup> In this context, good governance includes management of migratory flows

<sup>9</sup> Members of ASEAN are: Brunei Darussalam, Burma/Myanmar, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam. Brunei and Singapore are not eligible for EC financial assistance, because of their high GDP per capita.

<sup>10</sup> COM (2003) 399 final, 9 July 2003

supported through national assistance programmes as well as through regional level support, as outlined in this Paper.

The Communication identifies the following main priorities for cooperation with South East Asia:

- (1) Supporting regional stability and the fight against terrorism
- (2) Promoting human rights, democratic principles and good governance
- (3) Mainstreaming Justice and Home Affairs issues
- (4) Injecting a new dynamism into regional trade and investment relations
- (5) Supporting the development of less prosperous countries
- (6) Intensifying dialogue and co-operation in specific policy areas

### 1.3. South Asian Association for Regional Cooperation (SAARC)<sup>11</sup>

The EU places great emphasis on facilitating regional cooperation within the South Asia region through the South Asian Association for Regional Cooperation (SAARC). As stated in the EC-Asia strategy: “In South Asia, which in many respects remains distinct from the rest of Asia, SAARC offers the opportunity of a broad regional cooperation with diversified aims... Efforts towards stronger sub-regional economic cooperation within SAARC should be encouraged.” The EU’s main priority for cooperation with SAARC I are thus trade related issues.

The EC recognises that SAARC could play a potentially powerful role in boosting currently low levels of intra-regional trade and in fostering the normalisation of the Indo-Pakistan relationship.

### 1.4. Asia Europe Meeting (ASEM)<sup>12</sup>

ASEM is an informal process of dialogue and co-operation, established in 1996, addressing political, economic and cultural issues, with the objective of strengthening the relationship between Asia and Europe, in a spirit of mutual respect and equal partnership. The Commission’s Asia Strategy of 2001 recognises the important role that ASEM plays for the improvement of mutual understanding between Asia and Europe.

The Commission does not consider ASEM in principle as a mechanism for delivering technical assistance or organising development co-operation. However, in support of ASEM’s political dialogue process the Commission has contributed on a case by case basis to ASEM initiatives with budgetary implications. From the Commission’s point of view voluntary budgetary contributions to specific ASEM projects could play a positive role for the development of ASEM also in future.

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<sup>11</sup> Members of SAARC are: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

<sup>12</sup> ASEM partners are all EU Member States, the European Commission and the following Asian countries: Brunei Darussalam, China, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Thailand, Vietnam.

## 2. THE POLICY AGENDA OF THE REGION

Chapter 1 outlined the EC's policy objectives in the region, while chapter 2 examines the policy agenda of the various players in Asia. Identifying areas, where the policy objectives of the EU and regional players correspond, is an important input for the response strategy developed later in this paper.

Certain challenges and opportunities are similar across all of Asia because of their global nature (notably trade and investment issues and peace and security issues), although there are no formal common policy papers or common structures. On the other hand, there is significant homogeneity and commonality allowing a concrete common policy agenda for regional integration in two important sub-regions – ASEAN in South East Asia and SAARC in South Asia.

### 2.1. Asia wide agenda

There is no one grouping that encompasses all Asian countries. Increasingly, 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). India is also linked to ASEAN via the ASEAN Regional Forum. These are all informal groupings with little in the way of common structures and few fully fledged common policies.

Given the lack of common institutions and the diversity of the continent, there is very little in terms of explicit common policy objectives agreed among all Asian countries. However, there are common types of challenges shared by all Asian countries. In view of the truly regional nature of these challenges, it will make sense to address them in multi-country programmes.

On **trade and investment**, all countries are linked with common challenges and opportunities in the context of globalisation and progressive trade liberalisation. Almost all countries in the region are member of the WTO or are in the process of acceding to this organisation. They will therefore have to implement obligations relating to this membership and need to be empowered to fully participate in the ongoing negotiations. In the emerging, globally integrated economy Asian countries can bring their comparative advantages to bear and some – although not all - are doing so very successfully. Nonetheless, there is scope for improvement, including access to EU markets. Many Asian countries also face the task of adapting their regulatory environments, for example in order to improve corporate governance and the stability of financial systems. At the same time, Asian exporters face yet another common challenge - to adapt their products to meet changing EU regulatory requirements, notably in the areas of health and environmental protection.

Making full use of know-how available in Asia and Europe to deal with these tasks using comparative economic advantages to the full, adapting regulatory environments and meeting evolving EU requirements, will need well functioning networks between the Asian and European business communities. Insofar as money needs to be spent to build and strengthen such networks, such a programme needs a distinctly regional approach bringing together participants from many countries in Asia and Europe.

On **peace and security**, guaranteeing political stability and avoiding conflict is another common challenge. Such challenges that span all Asia - and indeed are global in nature - include anti-terrorism and conflict prevention. To a degree, UN resolutions on counter-terrorism unite all Asian countries with a common policy agenda. In addition, all Asian

countries face common challenges of relating to the EU in the area of justice and home affairs, especially as regards drugs and migration. At the Asia-wide level, reinforcing our dialogue on these issues should be a priority, through ASEM or international forums such as the ARF or UN. However, beyond this, specific financial cooperation actions are better undertaken at the national level.

**Environmental protection** and sustainable development are another quintessential regional challenge in Asia. Pollution respects no boundaries and its effects may actually be global. Environmental problems in one Asian country, whether trans-boundary or not, can be prevented in another by the sharing of information, the use of the right technology and the formulation of both preventative and corrective policies in national legislations. Asian countries conduct a policy dialogue on these matters, most prominently in the framework of the UN Kyoto process.

Against this background a multi-country programme will provide opportunities that could not be used in purely national programmes. Furthermore, European experience and technology is advanced in this area and could provide this experience in programmes that involve all Asian countries.

The EC's Asia strategy of 2001 places great emphasis on building **awareness and understanding** of the EU across all Asian countries as a means to increase the EU's voice in the region, answering such basic questions as what the European Union is and why it is important. There is a growing awareness in Asia of the importance of the EU not only commercially but also as a partner for tackling global issues. Equally important is improving the understanding of Asia in Europe. The role of higher education, culture, audiovisual products and tourism is key in this respect.

The challenges listed in the previous paragraphs are similar to all Asian countries and there is clear added value in addressing them in programmes covering all countries in the region to supplement bilateral programmes with these countries. Such Asia-wide programmes would allow countries to profit from each other's experience in dealing with common challenges, allow for economies of scale in the implementation, raise awareness of commonality and the regional dimension of issues.

## 2.2. Association of South East Asian Nations (ASEAN)

Established in 1967, the Association of South East Asian Nations (ASEAN) now encompasses 10 South East Asian countries and is an essential partner for the European Union in Asia.

During the 1990s, ASEAN embarked on an ambitious programme for regional integration of which trade is the main component. The launch of an ASEAN Free Trade Area (AFTA), an ASEAN Investment Area (AIA) and the Initiative for ASEAN Integration (IAI) set up to decrease the development gap between the six original member countries and the four newer ones (Cambodia, Laos, Burma/Myanmar and Vietnam) are the most pertinent examples for this drive for closer regional integration. ASEAN's initiatives have yielded significant results, for example with the reduction of customs barriers among ASEAN's original (six) members and substantial progress on abolition of tariffs. ASEAN intends to continue the gradual integration of its markets for goods and capital.

In recent years, ASEAN has clearly decided to embark into deeper forms of integration in order to enable the grouping to compete with the rest of the world. Steps were taken to



speed up the AFTA process and co-operation is tried in new areas such as counter-terrorism and social policies. Most notable, the ASEAN Summit in 2003 agreed in its 'Bali Concord II' declaration to set up an ASEAN Economic Community (AEC) with the aim to achieve an ASEAN internal market by 2020. In this regard, ASEAN has indicated that it sees the EU as a role-model for its economic integration and to be interested to learn from EU experiences.

In terms of external relations, ASEAN is pursuing a delicate regional power balancing game with the ultimate goal of serving as a core group to an East Asian Community. This policy is based on tighter economic links as well as security co-operation (ASEAN Regional Forum). ASEAN is actively seeking closer relations with China, Japan and South Korea (ASEAN + 3 process) as well as with India. ASEAN has now with all of these partners established FTA/economic liberalisation negotiations. All of them have acceded to the Treaty of Amity and Co-operation in South East Asia. ASEAN is further keen to increase EU presence in the region. In its turn, the EU sees a stable and prosperous ASEAN as a fundamental ingredient to stability in the wider Asia region.

For reasons of mutual interest, the EU and ASEAN have long sought to strengthen relations. A basic Co-operation Agreement was signed in 1980. The Commission launched in July 2003 its communication on 'A new partnership with South East Asia' (see also 1.2) with the aim to reinvigorate relations with the region and ASEAN. It also intends to engage ASEAN on a wider and modern policy agenda. It offers regional dialogues on trade matters (TREATI initiative) and non-trade matters (READI initiative) which are flexible in nature and may identify requirements for supporting technical assistance. The dialogue process will be closely coordinated with ASEAN Secretariat and will be organised around ASEAN's own policy and expert meetings and agenda.

Based on the commitment enshrined in Bali Concord II declaration and the political will to re-invigorate relations in the EC's 'New Partnership' communication, EC-ASEAN cooperation will need to be based on these new relations and be able to support these in a flexible and appropriate manner.

### 2.3. South Asian Association for Regional Cooperation (SAARC)

The South Asian Association for Regional Cooperation (SAARC) was set up in 1985 by seven countries: Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. SAARC's charter aims to promote the well-being of the populations of South Asia and to improve their standard of living; to speed up economic growth, social progress and cultural development; to reinforce links between the countries of the area; and to promote mutual collaboration and assistance in the economic, social, cultural, technical and scientific fields.

The member countries agreed an Integrated Programme of Action with eleven action programmes to achieve its charter (i.e. agriculture, communications, education, culture and sport, environment and meteorology, health and demography, prevention of drug trafficking and drug abuse, rural development, science and technology, tourism, transport, women's position in society).

1995 saw a very concrete shift in SAARC's emphasis towards economic issues with the entry into force of the South Asian Preferential Trading Arrangement (SAPTA), which aimed to ease the member states move towards a South Asian Free Trade Area (SAFTA).

The political developments in South Asia have meant that activity in SAARC had been relatively limited between 2001 and early 2003. However, SAARC found new dynamism with the great success of the 12<sup>th</sup> SAARC summit (Islamabad, 4-6 January 2004), which adopted three important documents on the South Asia Free Trade Agreement (SAFTA), the fight against the financing of terrorism and a SAARC social charta.

The most important document is the South Asian Free Trade Area (SAFTA) framework treaty. All SAARC members are to eliminate or reduce their custom tariffs starting on 1 January 2006. Transitional periods will be a maximum of 10 years for the Least-Developed SAARC members, leading to a liberalisation of tariffs by 2017. However, the possible exclusion of sensitive products from tariff liberalisation may reduce the actual scale and scope of the agreement

Apart from tariff reduction SAFTA contains other potentially significant clauses, such as envisaging the extension of liberalisation beyond the trade in goods to areas such as standards, investments and macroeconomic consultations (Art. 8) and a dispute settlement mechanism (Art. 20).

With the results of the 12<sup>th</sup> summit SAARC has given itself a clear economic integration agenda, which could provide the basis for closer cooperation with the EU.

### **3. POLITICAL, ECONOMIC AND SOCIAL ANALYSIS**

This section provides a short overview of Europe's overall relations with Asia as well as key aspects of political, economic and social developments in ASEAN and SAARC.

#### **3.1. Asia-Europe Relations**

Asia is the fastest growing market for European goods and key to many global political issues of concern to the EU.

On **politics**, Asia and Europe have increasingly to deal with the same issues. Many Asian security issues - notably of terrorism, drugs and illegal immigration - spill over into the EU. Asia is home to many volatile hotspots that impact globally and that warrant coordination with the EU, such as potential regional conflicts (i.e. India-Pakistan), the challenges posed by difficult internal situations in some countries (i.e. Afghanistan and North Korea) and common global danger of nuclear proliferation (i.e. South Asia and North Korea).

Terrorist attacks in Bali (Indonesia) and the Philippines highlighted the threat to the region and to EU nationals from terrorist attacks. Successfully countering this threat requires enhanced co-operation, in particular with respect to intelligence sharing and judicial co-operation. This assistance is best organised either at bilateral level or with regional groupings with a clear objective in this respect. The EU is already engaged in such cooperation and planning additional activities.

On a more geopolitical level, there is a mutual interest in stronger links between the EU and Asia. The triangle formed by the US, EU and Asia is increasingly important in world affairs. Strengthening the EU-Asia side of that triangle would allow reinforcing the multi-polar world to which both Asia and the EU are strongly committed.

On **economics**, EU Asia relations have experienced a very dynamic and overall positive development. The growth of mutual trade and investment demonstrates the potential of further strengthening Asia Europe relationship and the impact that closer coordination on financial and economic affairs could have on the world stage.

Together, the EU and East Asia account for nearly half the world's gross domestic product (20% and 25% of the world's gross domestic product respectively). Close coordination between the two continents on economic and financial matters is therefore a necessity.

Asia's commercial relations with the EU have increased ten fold since the early 1990's. The tables in Annex 1 show the scale of this inter-dependence – the EU now imports over € 230 billion from Asia and exports over € 140 billion to the region. Asia is now the EU's third most important trading partner and its fourth most important investment destination.

However, there are marked regional variations within this overall booming relationship with the dynamics of the EU-South Asia commercial relations trailing after a rapidly expanding China and a still robustly growing South East Asia. Maintaining this vibrant economic relationship while boosting trade and investment relations with the poorer countries, especially in South Asia, is important to the EU.

Despite considerable progress in recent years, the level of **mutual awareness** between Europe and Asia is still less than one would expect given the existing level of contact. Clearly much work remains to be done in raising the awareness in Asia of Europe's importance. This demands actions that do not only reach government circles, but draw in civil society and the wider public, ensuring that the citizens of Asia and Europe increasingly interact. This requires people-to-people contact, cultural and audiovisual exchanges not only between higher education, municipal and business groups but also between target groups on broader cultural matters. Targeted use of public money could play a crucial role to get such contacts started or intensified. Tourism can also play a positive role in improving mutual awareness.

Concern for the **Environment** is a further issue shared by Europe and Asia. Cooperation in the area of major UN Conventions such as reducing green house gas emissions under the Kyoto Protocol, in particular must continue. However, the EU's experience can also directly assist Asia in tackling its more specific environmental problems notably within the area of sustainable natural resource management such as in forestry and the management of urban development, which is causing major environmental problems in the region.

**Migration** takes an increasingly prominent role in the relations between the two continents and also in discussions at official level. Asia is the source of potentially significant – documented and non-documented - migratory flows to Europe. The EU and Asian countries have started a dialogue on this common challenge in the context of ASEM and are beginning to develop common approaches at bilateral level.

### 3.2. ASEAN

The EU shares with South East Asia many common features and interests. Both are seeking to deepen regional cooperation and integration between highly diverse member states through the EU and ASEAN respectively. Countries from both regions cherish the respect for their cultural, religious and linguistic identity. Both regions are committed to

a multipolar world based on strong multilateral international institutions. These common interest and values should form the basis of a new partnership between the two regions. A fundamental issue in this respect will be to increase mutual awareness and the EU's profile in South East Asia.

South East Asia's **political agenda** is driven by both regional and international concerns. The terrorist attack carried out in October 2002 in Bali demonstrated the threat to the South East Asian region. It has spurred a reinforcement of efforts to develop cooperation on security issues both within ASEAN and with the international community. The EU-ASEAN Ministerial Meeting in January 2003 issued a Joint Declaration on Cooperation to Combat Terrorism. The dramatic rise in the political and economic importance of China has underlined the importance of achieving cohesion in ASEAN and has contributed to the efforts to make progress in this direction. Significant progress towards economic integration has been made in recent years. As ASEAN advances it is increasingly challenged to take more political responsibility. The critical statement on Burma/Myanmar, the creation of a Security Community and the setting up of a Dispute Settlement mechanism all in 2003, are signs of a maturing political will within ASEAN.

For ASEAN a key priority remains to deal with the development gap between its richer and poorer members after the enlargement with Vietnam, Cambodia, Laos and Burma/Myanmar in the nineties. Average per capita income in South East Asia is € 1,217, ranging from € 215 in Cambodia to € 2,698 in Malaysia and € 23,500 in Singapore. The enormous disparity between the poorest and the richest members places a direct restraint on economic and **social integration**.

The two regions also enjoy very strong **commercial links**. On trade, the EU is now ASEAN's third largest trading partner, accounting for 14% of ASEAN trade. Significantly, the EU is ASEAN's second largest export market after the US. On investment, EU investors put nearly €2 billion in 2001 into the ASEAN region which, although high, is lower than in previous years reflecting the attraction that China is now exerting. ASEAN countries are again displaying impressive growth figures and the ASEAN region is set to become one of the most dynamic growth engines for the world economy. With its growing export-led economies and a quickly developing domestic market of 530 million people, ASEAN is a region of global economic importance that the EU can not afford to neglect.

### 3.3. SAARC

South Asia has significant development potential, but faces also profound political and economic challenges.

The region is home to some of the world's most difficult **political** crises: the ongoing tensions between India and Pakistan, the Maoist armed insurgency in Nepal and the civil war in Sri Lanka. Developments in Afghanistan also influence the political situation in SAARC, even though Afghanistan is not member of the organisation.

The EU takes an active interest in supporting the resolution of these tensions, recognising that a stable South Asia is important for global security. Most of these problems require national level solutions. However, as indicated above regional frameworks like SAARC can make a contribution to conflict solution and prevention, in particular by promoting intra-regional economic links.

In **economic terms**, South Asia has an enormous resource in its population of some 1.4 billion people. Although it only represents 1,6 % of world exports and imports, it has

significant growth potential. For example, growth has reached 8% in 2003 in the region's largest country, India, and India's GDP is expected to match Italy's within a decade.

Very importantly, from an EU point of view, the EU plays a significant role for the region and its individual economies. On average of the last years, the EU was destination or origin for 20% to 25% percent of SAARC exports and imports. The EU is the largest trading partner for all South Asian countries except Nepal, accounting for up to 30% of their exports.

Despite progress, South Asia still has a significant trade liberalization agenda to address. Most countries continue to have a high anti-export bias in their trade regimes and in general national economies remain highly protected. While South Asia's intra-regional trade has doubled since 1990, it remains far below its potential. The recent agreement to establish a South Asian Free Trade Area is major step in boosting regional trade and integration. On investment, India is now a growing destination for investors, especially in the modern high-tech sector, but other countries in the region attract relatively little Foreign Direct Investment.

Realising its potential is restrained by chronic and pervasive levels of poverty with more than a third of its citizens living on less than one dollar a day<sup>13</sup>. Despite significant growth over the last decade, mostly in India, it is no surprise that Bangladesh, Bhutan and Nepal remain classified by the UN as Least-Developed countries.

For details of South Asia's ranking on human development indicators compare Annex 6.

The Commission is actively involved in tackling poverty in the region in its bilateral development cooperation programmes with South Asian countries. Bilateral programmes will continue to be the main instruments to deliver aid in the region on issues like health, education and infrastructure. SAARC, which is the subject of this paper, does not have the set up and institutional capacity to make it a useful counterpart for delivering aid in these areas. However, SAARC and financial assistance to SAARC can make a contribution to poverty alleviation by improving intra-regional trade and the framework conditions for economic growth in the region.

#### **4. OVERVIEW OF PAST AND ONGOING EC COOPERATION**

Eighteen multi-country programmes were being implemented by December 2003, including Asia-wide programmes, sub-regional programmes for ASEAN and SAARC, ASEM programmes and other multi-country programmes covering specific themes such as health, transport and agriculture. Details of these programmes are available in annex 2, 3 and 4.

The total budgetary commitment for ongoing regional programmes under budget lines B7-3000 (financial and technical assistance) and B7-3010 (economic co-operation) amounts to € 380 million. Payments reached € 51.9 million in 2001 and € 60.3 million in 2002 and € 50.4 million in 2003.

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<sup>13</sup> Per capita incomes average only \$430 with ranges from \$220 in Nepal through \$450 in India to 1,160\$ in the Maldives.

Over the past three years (2001-03), around 14.5% of the total allocation for Asia was committed for regional programmes.

#### 4.1. Asia-wide Programmes

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. Five programmes are included in this category (for details compare Annex 2):

- Asia Invest, which aims to support economic co-operation between the EU and Asia through business to business match-making opportunities, partnership-building and capacity strengthening activities;
- Asia Urbs, which aims to promote local government partnerships to undertake urban development projects;
- Asia Pro Eco, which aims to improve environmental performance through EU-Asia technology partnerships that promote more sustainable products, processes and services;
- Asia IT & C, which aims to improve the quality of Europe-Asia partnerships and to link the two regions in the search for innovative and compatible solutions and standards in IT&C;
- Asia-Link, which aims to promote sustainable partnerships between higher education institutions in Europe and Asia.

These Asia-wide programmes have the following common characteristics:

- Geographical scope: Covering EU Member States and all developing countries in Asia covered by the ALA Regulation (South Asia, South East Asia, China)<sup>14</sup>.
- Overall objective: Promoting closer linkages between civil societies in Asia and Europe and supporting sustainable partnerships and networks between institutions.
- Focus: Targeting directly relevant institutions in the beneficiary countries without direct involvement of national governments (no Financing Agreements);
- Typology: Demand-driven instruments, which are mainly implemented by open calls for proposals.

Mid-term evaluations for the earlier Asia-wide programmes have been carried out over the past two years (Asia Invest Phase I; Asia IT & C; Asia Urbs). The more recent programmes Asia-Link and Asia Pro Eco will be submitted to independent mid-term evaluation in early/late 2004 respectively. All Asia-wide programmes are subject to regular monitoring by the Commission services and by external experts.

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<sup>14</sup> Burma/Myanmar is currently excluded because of the EU's position on the political situation in the country. Mongolia is eligible under the ALA Regulation from 2004. Brunei, Singapore, Hong Kong and Macao are not eligible for EC assistance because of their high GDP per capita.

On the basis of the evaluation and monitoring activities, the Commission has identified a certain number of conclusions and lessons learned that need to be taken into consideration in the design of future programmes:

- In general, the Asia-wide programmes benefit from a high visibility in Asia and Europe. They generate an increasingly strong interest and correspond to real needs. The Asia-wide programmes are unique in that they directly address key target groups of civil society. In addition, the programmes are strongly supported by the EU Member States. Further efforts need to be deployed to raise the awareness on the co-operation possibilities offered by the programmes.
- The EU-Asia-wide programmes provide added value to Member States' initiatives in that they promote multilateral partnerships involving typically institutions from at least two different European countries, thus encouraging a 'European dimension'. The concept of multilateral partnerships and networking not only within Europe but also within Asia can be considered as a distinctive feature of the EU-Asia-wide programmes.
- Over the past years, less advanced Asian countries drew less benefit from the EU-Asia-wide programmes than the more developed Asian countries. Affirmative action in favour of less advanced countries has been taken over the past two years to increase the involvement of institutions from these countries. Less advanced countries typically benefit from more favourable financial conditions. Specific promotion and information activities targeting less advanced countries are now being implemented.
- Certain programmes have suffered from weak implementation in the past. This was partly due to weaknesses in the original project design, partly to weak management by Technical Assistance Offices before the creation of EuropeAid in January 2001. With the absorption of the resources of the Technical Assistance Offices inside the Commission, weaknesses in the programme management have been efficiently addressed.
- The Asian partner countries' sense of ownership over Community regional assistance is crucial. Increased efforts will be made in future in order to increase the sense of ownership. Devolving management responsibilities to EC Delegations in Asia will offer further opportunities for a greater involvement of Asian partners in programme activities.

#### 4.2. ASEAN Programmes

A significant number of programmes are undertaken with ASEAN under the EC-ASEAN Co-operation Agreement for a total financing commitment of some € 75 million. (For details compare Annex 3).

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)

EC-ASEAN programmes have made a valuable contribution to promoting co-operation at regional level. However, many lessons have been learned that should be taken into account for the next generation of such programmes:

- Some of these programmes may in retrospect have been overly ambitious (Biodiversity, IPR) and were not in pace with ASEAN's own agenda. In other words ASEAN felt little ownership for these initiatives which have sometimes been in advance of the realities of ASEAN 'integration'.
- Programme designing and approval has in some cases been a negotiation with each individual ASEAN country. ASEAN is consensus based, and once real changes in the implementation phase are required, all countries need to agree.
- In consequence, region to region co-operation with ASEAN has proven more complex than bilateral co-operation and has suffered from weaknesses on both sides. Since 2001/02 a special effort has been made to resolve these difficulties, and at present all agreed programmes are under implementation.

To resolve some of these difficulties, a new approach has been introduced with regard to EC-ASEAN co-operation. It entails a clear focus on policy dialogue in areas of mutual interest where the EC can support ASEAN's own aspirations for regional integration and other key sectors. A "two-way value-added test" is now applied:

- to see where projects on the ASEAN level would have significant added value compared to bilateral co-operation with individual South East Asian countries;
- to identify priority areas from an ASEAN point of view where the EU can provide a particular added value (in particular the EC's expertise in regional economic integration processes).

This new approach has been further consolidated within the 'New Partnership with South East Asia' Communication where true mutual interest and specific priorities and objectives are first established in a dialogue process as a precursor to co-operation, which can be bilateral, regional or a mix of both, depending on feasibility, impact and resources both sides are willing to commit.

#### 4.3. SAARC Programme

After signing a first Memorandum of understanding in 1996, the EU and SAARC agreed in 1999 to cooperation on four priority actions: improve market access for SAARC products to the EU, work towards a cumulation of rules of origin of SAARC products for exports to the EU, technical support for the establishment of the South Asian Free Trade Area, support for harmonisation of SAARC standards.

The cumulation of rules of origin was granted and the facilitation of market access was addressed by activities like information seminars. However, the financial support part of the Memorandum of Understanding was never implemented. Only an identification mission was undertaken.



There are no programmes to draw experience from for the programming of future financial cooperation with SAARC. However, the short history of the attempts to launch financial cooperation holds two important lessons for future programming:

- (1) The four areas of cooperation agreed in 1999 are still useful as a broad framework of reference for cooperation between SAARC and the EU.
- (2) Political developments in the sub-continent have a direct impact on the possibility to implement SAARC related projects. Programming needs to take account of this by providing maximum flexibility to increase and decrease funds for SAARC projects in line with political developments.

#### 4.4. ASEM

The Commission is currently contributing to three ASEM projects (for details compare Annex 4):

**ASEM Trust Fund (ATF):** The ATF was established by the ASEM summit in London 1998 in the aftermath of the Asian financial crisis. Its purpose was to provide technical assistance to Asian countries to deal with the economic and social consequences of the crisis. The management of the ATF was entrusted to the World Bank. The first phase of ATF ended in 2002 and a second phase, which will last until 2006, has just started.

The evaluation of the first phase suggests that ATF has by and large met its objective. However, the EU's visibility is low and the original problem addressed by the fund – the Asian financial crisis – has largely been overcome.

**Trans Eurasia Information Network (TEIN 2):** The launch of TEIN was decided during the ASEM summit in South Korea in 2000. Its purpose is to establish a direct high-speed data link between Asia and the EU to supplement the current links which mostly transit via the US. The budget for the TEIN 2 project was committed in December 2003. There are therefore no results yet to evaluate. TEIN 2 is intended to be a one-off project and there is no need at this stage to make provision for a follow-up project

**Asia Europe Foundation (ASEF):** Together with ASEM partners the Commission has financially contributed to the establishment of ASEF in 1998.

ASEF has met its broad objectives to foster cultural and intellectual exchanges as well as people to people exchange. However, evaluations point to a potential to improve cost effectiveness and to a need for ASEF to follow more closely the political agenda of its different donors.

ASEF's financial viability is assured until 2006 and a decision on an eventual continuation of funding will have to be taken in the programming document for the period after 2006. If a new contribution should be decided, due account should be given to the points raised in the previous paragraph.

#### 4.5. Other programmes addressing specific needs

Apart from programmes covering all Asian countries and those addressing specific regional groupings (such as ASEAN, SAARC, ASEM) the Commission also launched during the 1990s a significant number of programmes that addressed specific problems with a transborder element.

While most of these programmes have expired, three are still active, namely the EU-Asia Civil Aviation Cooperation Programme, the Reproductive Health Initiative for Young People and the Programme for Integrated Pest Management for Cotton. Another programme has just been launched, a trust fund established in cooperation with the International Trade Centre to provide trade related technical assistance to Asian countries. (For details compare Annex 4)

Assessments indicate that these served a particular need at the time but they are characterised more as reactive than emerging from a strategic planning on the part of the Commission.

## **5. THE EC REGIONAL RESPONSE STRATEGY**

### **5.1. Policy Mix**

This paper deals with one element of the Commission's financial support to Asian countries. This must be seen in the wider sense as only one of the tools within the Commission's tool-box to assist the EU in realising its Asia strategy. EC financial assistance complements the other instruments at the Commission's disposal, including:

- (i) trade and economic cooperation agreements which exist with some 12 of the 20 countries in the Asian region;
- (ii) various other agreements, such as on Justice and Home Affairs, customs matters, maritime transport, etc;
- (iii) and dialogue both bilaterally and through regional forums, most notably the Asia-Europe Meeting (ASEM).

The bulk of EC financial assistance to Asia is directed through bilateral, national programmes, each governed by Country Strategy Papers. This focus on bilateral support is appropriate in most cases, in particular for many of the actions addressing the root causes of poverty, such as basic education, health and support for good governance.

However, complementing this basic national approach with multi-country programmes at the Asia-wide, ASEAN and SAARC levels should be considered, when one or more of the following criteria are met:

- (1) Multi-country programmes can improve dialogue and co-operation among beneficiary countries, thus reinforcing regional integration.
- (2) This is in particular the case, where regional groupings have already their own initiatives in a particular area, such as ASEAN's programmes to harmonise customs codes and procedures and develop common product standards. When support is targeted on specific regional groupings, such as ASEAN and SAARC, support should be implemented within its institutional arrangements. It would be highly inefficient to try to support, for example, ASEAN regional initiatives solely via individual national programmes. Strong ownership by regional institutions and stakeholders is essential for the successful implementation of activities.
- (3) When countries face a common or similar problem (i.e. trade, environment, money laundering, migratory flows). In such situations multi-country programmes allow for the

use of a broader range of experience and know-how. It permits beneficiary countries to learn more easily from the experience of each other. Solutions found to be effective in one country can be more easily transferred to other countries. Conversely, there is less danger of attempts to reinvent the wheel. Nonetheless, bilateral programmes can also play a useful role on subjects with a strong regional element in order to address country-specific issues.(4) Multi-country programmes are frequently more visible, which is especially important for sharing results of programmes. The design of multi-country programmes should make full use of the potential to demonstrate visibility.

(5) Projects need to have a minimum size to allow for economies of scale in project preparation and implementation, which is sometimes easier to achieve in multi-country programmes.(6) Coherence and complementary with national programmes need to be assured.

Last but not least, an important reason for considering regional approaches is the great emphasis put on this by the EC's communication on development policy<sup>15</sup> and the related Council conclusions.

The Indicative Programme in part B of this document is coherent with the requirements outlined above. It provides financial support in areas that are also covered by dialogues on trade, economics, justice and home affairs and other policy issues.

The Indicative Programme supports activities that could not be provided in bilateral programmes and is thus also coherent with the criteria established above for the selection of a multi-country approach.

## 5.2. EC Response

Chapter 1 of this document outlined the Commission's policy goals in the region and chapter 2 the region's policy agenda. Against this background there is a strong case to support the regional integration agenda, established by Asian countries themselves, i.e. ASEAN and SAARC. Supporting these two integration agendas will allow the EC to support a process already under way, which also have a clear positive impact on some of its policy goals, in particular 'further strengthening mutual trade and investment flows with the region' and 'contributing to peace and security in the region'.

The analysis in chapter 3 demonstrates that there are positive economic and political effects to be expected from closer economic cooperation in South-East and South Asia, which lends additional support to the idea of establishing a programme in this area. Chapter 4 demonstrates that EC programmes with ASEAN have produced results and are worthwhile continuing, although implementation has not always been easy. There is no comparable experience for cooperation with SAARC, because the EC has not yet established financial cooperation with this group.

On the basis of the analysis in chapters 1 and 2 there is also a case for going beyond programmes focused on specific regional groupings and establish programmes covering all Asian countries. There is no common policy agenda for all Asian countries (compare chapter 1.2.), but they face a number of common challenges and opportunities, which correspond to EC priorities in the region. This concerns in particular trade and economic issues and environment, as well as higher education. These areas lend themselves

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<sup>15</sup> Communication on the European Community's Development Policy, COM (2000) 212 final

therefore to a multi-country programme, covering all Asian countries. The Commission runs already five such programmes. The experience with them (compare chapter 4.1.) demonstrates that they have produced expected results and can be continued with some modifications.

On the basis of the analysis in the first four chapters of this document, as summed up in the preceding paragraphs, multi-country programmes are proposed in the following areas of intervention:

- (1) Initiatives covering all Asian countries<sup>16</sup> in the areas of trade and investment, higher education, and environment.
- (2) Initiatives in support of ASEAN integration, focusing on the priorities laid down in the new Communication on a New Partnership with South-East Asia.
- (3) Initiatives in support of SAARC integration.

The areas of intervention have been selected because they respond to specific EU sub-regional agreements with ASEAN and SAARC and/or because the support can best be delivered at the multi-country level.

In the period 2005-2006, the total budget for these programmes will be between € 85 – 100 million. These priorities for multi-country support are outlined below and further detailed below in the Indicative Programme in part B.

The areas of intervention proposed in this paper are limited and do not attempt to address all priorities in the EC's strategies with Asia so as to ensure focus and a concentration of resources, key requirements placed on the EC by the reform of external assistance.

The decision not to provide financial support for some subjects in this strategy paper does not imply that they are considered a lower priority, but that they are addressed more effectively by other instruments.

For example, it will in general not be necessary to establish a specific multi-country programme for Asia, where a global budget line already provides a multilateral support framework. This applies to issues such as the international element of the EU's Research and Technology Development programme, the European Initiative for Democracy and Human Rights, the Rapid Reaction Mechanism, Aid to Uprooted People, the Support to NGO actions, environment and tropical forests as well as AIDS/HIV.

On migration, the establishment of bilateral programmes of co-operation will be in general more adequate for dealing with issues specific to each country. In case a multilateral programme appears to be necessary, it might be envisaged to use the new financial instrument adopted with a view to provide technical and financial assistance to third countries in the areas of migration and asylum, which might lead where justified to follow-up projects.<sup>17</sup>

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<sup>16</sup> Afghanistan, Bangladesh, Bhutan, Burma/Myanmar, Cambodia, China, East Timor, India, Indonesia, Laos, Malaysia, Maldives, Mongolia, Nepal, North Korea, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam.

<sup>17</sup> Regulation (EC) .../2004 of the European Parliament and of the Council establishing a programme for financial and technical assistance to third countries in the areas of migration and asylum. This programme will cover the period 2004-2008, for a global budget of € 250 million

Some of these programmes may have limited budgetary resources available or cover only some Asian countries. However, establishing an additional multi-country programme in parallel would probably lead to some confusion. Where additional interventions are considered necessary in the areas mentioned in the previous paragraphs they should probably be taken at bilateral level.

Other important subjects, such as basic health care, basic education and Justice and Home Affairs are more effectively addressed in bilateral programmes in countries, where this is appropriate and need not be addressed by multi-country programmes.

### *5.2.1. Asia Wide Programmes*

Based on the strategic analysis above, Asia wide multi-country programmes shall be consolidated into **three main priorities**. These three priorities correspond to both the objectives set in the Commission's Asia strategy as outlined in chapter 1 and to common challenges/policy agendas of Asian countries as identified in chapter 2. In these areas a multi-country approach should therefore supplement bilateral support that is delivered on related issues.

The refocusing on three main priorities will require phasing in a reorientation of existing programmes in the course of 2004.

A **Trade and Investment** programme will focus on encouraging the development of common approaches and greater integration by supporting the exchange of experience, networking and matchmaking among Asian and European regulators and businesses to help them make best use of globalisation and economic liberalisation, including dealing with the consequences of the expiry of the multi-fibre agreement. By supporting these activities the programme will help to implement part of the EU's obligations in the context of several WTO obligations and to assist partner countries to implement their obligations. In the case of LDC's, special attention will be paid to the provision of incentives to European enterprises and institutions for the purpose of promoting and encouraging technology transfer to these countries

Trade and investment is a key area of EU interest identified in the EC's Asia strategy. It is also an area of shared interest among Asian countries as identified in chapter 2, and is thus an area, where the EU should focus its interventions.

This programme shall give special attention to small and medium enterprises and recognise the key role being played by the information and communication technology sector. The programme will also address needs for European and Asian exporters to understand and adapt to evolving product requirements in both regions, which are increasingly becoming a source of trade friction. The programme shall target business groups and representative organisations, such as chambers of commerce and regulators.

This programme will continue the current Asia wide programmes in the business field, notably Asia-Invest and part of the programme for information and communication technology.

A **Higher Education** programme will focus on strengthening human resources and reinforcing institutional networking in the higher education area.

Both Asia and Europe have top-quality institutions of higher education, but they do not make sufficient use of their potential for cooperation. Public intervention is necessary to foster closer cooperation between EU and Asian institutions and help them to learn from each others' know-how.

The programme shall target higher education groups and institutions, scientific and research groups. It will provide for enhanced mobility of students. Care has to be taken that the scientific and research element of this programme does not overlap with the Sixth framework programme for Research and Technological Development.

This programme will continue the current Asia-Link programme and part of the programme for information and communication technology.

The **Environmental Management** programme will focus on establishing/strengthening networks of institutions, including local authorities, working on environment. The main area of intervention of this programme will be in particular climate change, sustainable consumption and production patterns and integration of environment into other policies as well as environmental impact of urbanisation in Asia. One of the results of the networking could be the facilitation of transfer of environmental technology.

Environment is the transnational issue par excellence and organising programmes at a multi-country rather than national level offers therefore a clear added value. At the same time it is an area, where European industry can offer first-class technology and European public administrations can offer a wealth of experience with regulatory approaches.

This programme will continue the current Asia wide programmes of Pro-Eco and of Asia-Urbs.

These **three focal sectors** proposed **correspond largely to existing Asia wide programmes**. This reflects the assessment that many of the activities in current Asia-wide programmes are worthwhile and that, if refocused on core strategic goals, should be maintained. This approach should allow existing Asia-wide programmes to be smoothly transformed into the new framework.

After years of operation the current programmes enjoy good brand recognition among the interested public in Asia and Europe. Care will have to be taken that this brand recognition is not lost in the reshaping of the programmes.

The programmes will be designed in a way to allow the Commission to target the support on specific countries and specific issues, including ensuring a stronger involvement of least developed countries which have not participated in these programmes as much as expected.

The fight against terrorism has been identified as an important issue for EU relations with Asia (compare chapter 3.1.). However, it does not appear appropriate to establish an Asia-wide programme on this subject, because cooperation on this matter needs unity of agendas and depth of cooperation, which are more likely to be achieved in bilateral programmes or in programmes with sub-regional group, which have a clear objective in this respect.

As concerns the coordination with other donors, the Commission is only aware of one other Asia-wide programme with similar characteristics implemented by another donor, the ICT-Asia-France initiative.

### 5.2.2. ASEAN programme

The 2003 Communication on relations with South-East Asia<sup>18</sup> defines the role of regional programmes in the implementation of its policy goals as follows: *‘Most of EC development assistance shall be implemented through bilateral channels. Regional approaches will, however, be chosen when economies of scale are evident, where the development of country-neutral toolboxes makes sense or in support of dialogue conducted at regional level. Regional programmes will have to include specific provisions to favour the participation of the less prosperous countries of the region.’*

Based on both the priorities identified within the ‘New Partnership with South East Asia’ Communication and the approach agreed with ASEAN during the 2001 Joint Cooperation Committee according to which co-operation should be based on dialogue and have a clear value added for both sides, and taking account of the above described mechanism for identifying regional programmes, the EU response strategy should focus upon:

#### (1) The facilitation of EU-ASEAN trade relations

The New Partnership introduces the Trans-Regional EU-ASEAN Trade Initiative (TREATI) which aims to expand trade and investment flows and establish an effective framework for dialogue and regulatory cooperation on trade facilitation and investment issues between ASEAN and the EU. This programme will provide financial support for the implementation of TREATI.

#### (2) The support of ASEAN Integration

A strong ASEAN and further ASEAN integration is the best guarantee for peace and stability in the region. To support further ASEAN integration and co-operation, the following four actions may be envisaged:

- Fight against terrorism

The EC has a longstanding history of co-operation with ASEAN and in particular a commitment to the consolidation of good governance in the region. ASEAN is increasingly confronted with the threat of terrorism throughout the region. In this context the Commission is willing to bring support to ASEAN and share its experience in order to increase the regional capacity in the fight against terrorism. Enforcing relevant international legal instruments and enhanced regional co-operation, for example with respect to intelligence sharing and judicial co-operation, is a vital element of any strategy to successfully counter this threat, in particular given the difficulties in effectively monitoring the extensive land and sea borders within the ASEAN region. The Commission’s Rapid Reaction Mechanism is currently being used to identify possible cooperation activities in the area of counterterrorism.

- Fight against drugs

The EU and ASEAN have a joint responsibility in dealing with the scourge of drugs. On top of bilateral actions in affected countries there is a need to develop a more comprehensive approach to the problem, reflecting the significance of the South East

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<sup>18</sup> Communication from the Commission on ‘A new Partnership with South East Asia’, 9 July 2003, COM (2003) 399 final

Asia region to the drug problem in Europe, as well as the impact of drugs on the economic and social development of the region itself. Given the characteristics of the drug problem, a regional approach should be encouraged, also to be able to deal effectively with Burma/Myanmar, a key source of drug production. The prevention of chemical precursor diversion to and from South East Asia is an obvious priority.

- Assistance for the ASEAN Secretariat

ASEAN is increasingly faced with the need to develop a coordinated response to common challenges. This in turn results in more pressure on the organisation's relatively small secretariat. The EC designed the APRIS (EC-ASEAN Programme for Regional Integration Support) programme to assist with policy development and to raise the institutional capacity of ASEAN, in particular of the ASEAN Secretariat with the objective of improving its capacity to prepare, promote and facilitate ASEAN's regional integration policies by making best use of EU know-how, and in this process strengthening co-operation with the EU. Currently, APRIS is foreseen for 2003-2005, creating the need to devise a second phase for 2005-2006.

- Statistical co-operation

In order to be able to assess its proper economic developments as an integrated economic region and to be able to support further integration measures, the gathering and availability of reliable statistical data at regional level is a key priority for ASEAN. For this purpose ASEAN needs to develop comprehensive and reliable data and statistics, enhance co-operation between its co-operation among statistical offices and built capacity in the ASEAN Secretariat. Reliable, harmonised and accurate statistical information is needed for the implementation and evaluation of regional policies, especially in the field of the economic and trade issues (in support of the ASEAN Free Trade Area), but also for the development of new regional approaches on a wider range of policies, including health, education and social issues. EC will endeavour to support the efforts of ASEAN in this field, notably by supporting capacity building at regional level.

### (3) Improvement of EU visibility in South-East Asia

The overall knowledge of the EU and its institutions, the awareness of its activities and perceptions of the EU's importance for the region is found to be low. A specific programme should tackle this issue with the aim to raise its profile and visibility to a level which reflects its actual weight and importance in the political, trade, investment and development assistance areas. The European Commission and the Member States should campaign in a co-ordinated manner to explain the nature of the EU and its role in the world, and to promote the new partnership with South East Asia. The European Commission will launch a structured communication initiative, open to Member States participation and including the following elements:

- A limited number of key messages presented in a co-ordinated way should help improving South East Asians' perception of the EU and promoting EU – South East Asia relations. The messages will include the promotion of the scholarship programme, which the Commission intends to set up for Asia (compare 5.2.1 paras 7-10; 7.2.4 bullet point 2)

- In Asia, the target population would include opinion makers, media, universities, business and government circles. In Europe, young citizens, business circles and opinion



makers would be targeted. The strengthened network of EC delegations in the region should participate fully in this communication initiative in close collaboration with Member States missions.

Donor coordination is dealt with in contacts with the ASEAN Secretariat, which has an overview of other donor activities. Donor coordination is particularly important for activities on capacity building for the ASEAN Secretariat and on counterterrorism. Details will be provided in the Indicative Programme.

### *5.2.3. Programme for SAARC*

In view of the importance of promoting regional cooperation in South Asia and the renewed commitment of SAARC members to reliance SAARC integration in the region, the Commission will put in place a programme to support activities and institutions which support this integration process. The overall objective is support of closer economic integration of SAARC members, including cooperation on trade and trade related issues, such as investment, financial services, and monetary issues.

Economics has been chosen as the area of intervention, because it is the one area, where the need for closer cooperation is widely acknowledged by South Asian players. The recent thaw in Indo-Pakistan relations and agreement on a framework for a South Asian Free Trade Area are likely to give additional impetus to regional trade integration efforts.

The programme will finance specific measures that stimulate regional economic cooperation but will also try if and where possible to strengthen the capacity of SAARC and its secretariat to carry forward initiatives. The programme will support institutions that can make a positive contribution to economic integration, such as government bodies including the SAARC secretariat, Chambers of Commerce and research institutions including universities.

The definition of eligible activities should allow for a wide range of choice to allow flexible reactions to developments in the region and could include training, impact studies, seminars and exchange programmes.

The key risk for the implementation of this programme is a renewed deterioration of the political situation in the region. Implementation arrangements need therefore to allow for a maximum of flexibility to react rapidly to political changes.

As concerns coordination with other donors, the Commission is only aware of two other SAARC programmes financed by donors: standards (financed by Germany) and reproductional health/AIDS (financed by Canada).

### *5.2.4. Other multi-country programmes*

(i) Four of these programmes have already been launched and will run until after the end of the duration of this strategy paper. These are the Civil Aviation Programme, the Asia Initiative for Reproductive Health for Youth, the ASEM Trust Fund II and support for the Asia Europe Foundation.

These programmes will continue during the life of this strategy paper as planned. The strategy paper for the subsequent period will decide, whether and in which form to continue.

(ii) One programme - Integrated Pest Management for Cotton in Asia - will expire during the period covered in this strategy paper. This programme does not correspond to the strategic priorities outlined above and will therefore not be renewed.

(iii) At this stage the launch of new Asian multi-country programmes other than those described in 5.2.1, 5.2.2. and 5.2.3. is not foreseen during the duration of this strategy paper.

However, it is possible that additional requirements for regional actions may arise during the duration of the strategy paper. If the selection criteria for a multi-country approach (compare chapter 5.1.) are met, ad hoc-orders for service will be prepared in such cases, using the budgetary reserve of € 15 million, foreseen in the financial table (chapter 6.2).

## PART B: INDICATIVE PROGRAMME

### 6. SUMMARY OF THE PRIORITIES AND INDICATIVE BUDGET

#### 6.1. Summary of Priorities

The strategy paper proposes setting up three Asia-wide programmes, and two programmes in support of regional integration in ASEAN and SAARC.

Initiatives covering all Asian countries<sup>19</sup> are foreseen in the areas of trade and investment, higher education and environment.

A **Trade and Investment** programme will focus on supporting exchange of experience, networking and matchmaking among Asian and European businesses and regulators to help them make the best use of globalisation and economic liberalisation.

A **Higher Education** programme will focus on raising awareness, strengthening human resources and reinforcing institutional networking in these key areas.

An **Environmental Management** programme will focus on establishing and strengthening networks of institutions, including local authorities, working on environment. The main area of intervention will be 'brown' environmental matters, such as the environmental impact of urbanisation in Asia, where EC intervention could be more effective than on 'green' environmental issues. One of the results of networking could be the transfer of environmental technology.

The **programme in support of ASEAN** integration focuses on the priorities laid down in the 2003 Communication on a New Partnership with South-East Asia. In particular the implementation of the Trans Regional EU ASEAN Trade Initiative, support for ASEAN integration and the improvement of the EU's visibility in South-East Asia.

The **programme in support of SAARC** integration will focus on the improvement of economic integration in the region.

#### 6.2. Indicative Budget for 2005/2006

7. Asia-wide programmes	
7.1. Trade and investment	€ 15-25 million
7.2. Higher Education	€ 25-35 million
7.3. Environment	€ 15-25 million
8. ASEAN	€ 10-15 million

<sup>19</sup> Afghanistan, Bangladesh, Bhutan, Burma/Myanmar, Cambodia, China, East Timor, India, Indonesia, Laos, Malaysia, Maldives, Mongolia, Nepal, North Korea, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam.

9. SAARC	€ 2-5 million
Reserve	€ 15 million
<b>TOTAL</b>	<b>€ 85-100 million</b>

Budget may be reallocated between the three Asia-wide programmes (trade and investment, higher education, environment), if this is appropriate in the light of the speed of the absorption of available budget. However, the overall budget allocation to these three programmes will remain unchanged.

## **7. ASIA WIDE PROGRAMMES**

### **7.1. Trade and Investment**

#### 7.1.1. Justification and Background

The response strategy requires an Asia-wide programme to encourage the development of common approaches and greater integration by supporting the exchange of experience, networking and matchmaking among Asian and European business intermediaries and businesses. The trade and investment programme will give special attention to small and medium enterprises address needs for Asian exporters to understand and adapt to evolving EU product requirements, and recognise the key role played by information technology and electronic communications services in economic and social development and the promotion of the Information Society.

Two programmes with similar objectives as those laid down in the response strategy are currently being implemented by the Commission:

- The first one is the Asia-Invest 2 programme, which was launched at the beginning of 2003 with a planned duration of five years. Its design takes into account most of the requirements of the relevant part of the response strategy. First experience with programme implementation and feedback from the Advisory Committee, which represents the programme's stakeholders, are positive. There has not yet been a formal evaluation, as evaluation began only recently.
- The second is the Asia IT&C programme a new phase of which started recently and will run until end. It covers many of the IT&C related elements of the response strategy.

Asia Invest 2 and Asia IT&C activities which correspond to the requirements of the response strategy they will be continued. This will help to ensure the continuation of successful project activities and a smooth transition to the new programme.

Care should be taken that the reorganisation of these programme activities maintain the brand recognition which Asia Invest and Asia IT&C have built up.

### 7.1.2. Specific Objectives

In implementing the response strategy's broad objectives, this programme has the following specific objectives:

- Promote mutual investment and trade between Asia and Europe;
- Foster economic growth and understanding between Europe and Asia through better awareness, access to, and use of Information and Communication Technologies (ICT), and cooperation in the audiovisual sector;
- Promote mutual understanding and common approaches on trade related regulatory issues.
- Facilitate greater understanding and increase the capacity of European and Asian exporters to adapt to evolving legislative requirements in both regions affecting their products;
- Enhance the export capabilities and foreign direct investment prospects of the least developed countries in Asia (LDCs), including their ability to deal with the consequences of the end of the multi-fibre agreement;

### 7.1.3. Expected Results

- Enhanced networking between European and Asian business intermediaries to reinforce links between the two regions that would result in new trade and investment opportunities;
- Improvements in the business environment in Asian countries, through reinforced dialogue between private and institutional representatives resulting in a more dynamic private sector and sustainable economic development;
- Fewer and less significant trade frictions relating to changing EU and Asian import requirements;
- Improved mutual understanding of regulatory approaches, WTO compliance issues and improved co-operation with Asian countries in the context of the Doha Development Round;
- Increased participation from the less developed countries in projects promoting trade and investment, thus facilitating their economic development.

### 7.1.4. Activities

The following activities will be supported:

- Partnership projects submitted by European and Asian non-profit making organisations. These projects can fall in the areas of matchmaking activities to provide for European and Asian SMEs to prepare for business; Asian private sector development in the form of technical assistance to SMEs; and institutional reinforcement for business intermediary organisations; priority will be given to projects to advance the integration of Asian countries into the Information Society; special attention will be paid to projects in the audiovisual sector and to projects dealing with the consequences of the expiry of the multi-fibre agreement

Studies on mutual and trade and investment possibilities, in particular in the less prosperous countries and to identify the impact of product regulations on European and Asian exports;

- Exchanges between regulators and studies on regulatory challenges;
- Workshops and conferences with representatives that may contribute to improving the local business environment through the exchange of best practices and experiences between public authorities and the private sector, or to share experiences between the EU and Asian private sectors in implementing new EU and Asian legislative requirements relating to agricultural and industrial products. The workshops could include cooperation with ASEM's Investment Promotion Action Plan and Trade Facilitation Action Plan and the Asia Europe Business Forum. The concept of corporate social responsibility will be promoted in these activities.

#### 7.1.5. Implementation

In view of the N+1 provision in the new Financial Regulation, a great degree of project readiness is required before a commitment of budget.

#### 7.1.6. Cross cutting issue

##### Poverty alleviation

The programme will include incentives to promote participation of Least Developed Countries (LDCs). EC cofinancing for projects involving institutions from LDCs shall go up 90%. In addition, the Commission will implement specific promotion and information activities targeting LDCs. If deemed appropriate to attract applicants from LDCs, a system of country allocations can be introduced.

In the case of LDC's, special attention will be paid to the provision of incentives to European enterprises and institutions for the purpose of promoting and encouraging technology transfer to these countries

The Integrated Framework on Trade Related Technical Assistance will serve as a catalyst for activities in the area of trade and will provide the broader policy context for the above mentioned activities in Cambodia, Nepal and Laos and other future IF countries.

#### 7.1.7. Risks and conditionalities

The key risk for programme implementation is the lack of a sufficient number of applications under the call for proposals from the target group. A specific risk is the under-representation of institutions from LDCs, who may find it difficult to meet the administrative or co-financing requirements.

There are no specific conditionalities for this programme.

#### 7.1.8. Main indicators

- Number of companies engaged in initial business encounters and number of companies engaged in follow-up;

- Number of Asian key business intermediaries involved in institutional reinforcement and networking with European counterparts, including local EU chambers of commerce;
- Contribution of private sector development initiatives and dialogues, and number of Asian and European participating;
- Growth in the number of direct business meetings and negotiations for partnership between EU and Asian economic operators, in particular for SMEs;

#### 7.1.9. Estimated EU contribution

The Community contribution for this programme will be € 15-25 million over the programme period.

#### 7.1.10. Other donors

The Commission is not aware of any Asia-wide programme with the same focus run by other donors. As concerns coordination with bilateral programmes in similar areas, the Delegations of the European Commission will be involved in project selection and will be in charge of project contracting and management. They will thus be able to ensure effective coordination with bilateral projects.

#### 7.1.11. Indicative Timeframe

The programme will be prepared in the course of 2005.

## **7.2. Higher Education**

### 7.2.1. Justification and Background

This programme addresses the response strategy's requirement to define an Asia-wide programme in the area of higher education in order to reinforce regional networking and mobility, raise awareness and strengthen human resources, thus making a contribution to the development of cultural diversity.

A programme – Asia Link - with similar objectives as those laid down in the response strategy are currently being implemented by the Commission. Asia Link was launched in February 2002. Funding available under the current programme will be absorbed by end 2004.

As far as the activities of Asia Link correspond to the requirements of the response strategy they will be continued. This will help to ensure the continuation of successful project activities and a smooth transition to the new programme.

First experience with the implementation of Asia Link demonstrates significant interest from stakeholders in the programme, although the short life of the programme has not yet allowed for a formal evaluation. It is therefore a natural choice to continue the current strands of this programme. In order to fully meet the requirements of the response strategy, the existing programme needs to be complemented with a scholarship facility . The use of information and communication technology will be a horizontal priority.

Care should be taken that the reorganisation of these programme activities maintain the brand recognition which Asia Link has built up.

#### 7.2.2. Specific Objectives

The programme aims to:

- support sustainable co-operation projects and multilateral networking activities between institutions in the areas of higher education, including projects in the audiovisual area;
- promote the exchange of experiences and encourage mobility and further training for key target groups such as graduate students and academic staff;
- attract future economic and political decision makers for graduate studies to the EU;
- encourage and develop links between European and Asian institutions of higher education, thus facilitating the exchange and pooling of experiences among the academic community, including projects in the audiovisual area;
- help to re-position Europe as a major partner in the areas of higher education in Asia (and vice versa);

#### 7.2.3. Expected Results

- Improved links between European and Asian institutions of higher education, leading to sustainable co-operation projects in key areas such as human resource development and curriculum development,
- Increased mobility of postgraduate students and academic staff in selected subject areas
- Long term impact of graduate scholarships for future decision makers on overall EU-Asia relations

#### 7.2.4. Activities

The programme will fall in five components targeting institutions in the higher education area:

- Partnership projects submitted by groupings of European and Asian higher education institutions, including projects on audiovisuals. These projects can fall in the areas of human resource development, curriculum development, common applied research, institutional/systems development. Support to individual mobility activities of graduate student, faculty staff and university administrators will be considered as a priority within the partnership projects.



- Scholarships to be provided to high-quality graduate students and scholars from Asia who want to pursue their studies in Europe. If appropriate, support could also be given to European students and scholars who wish to go to Asia;
- Specific networking initiatives to gather stakeholders in Europe and Asia such as rectors, decision makers, senior ministry officials and experts;
- Studies and analyses which will provide a solid knowledge base upon which future collaboration in the field of higher education can be based, and existing co-operation can be enhanced;
- Promotional activities and capacity-building actions in particular with regard to Least Developed Countries (LDCs).

Priority will be given to projects making use of information and communication technologies such as open and distance learning methods and Internet-based seminars.

#### 7.2.5. Implementation

In view of the N+1 provision in the new Financial Regulation, a great degree of project readiness is required before a commitment of budget.

#### 7.2.6. Cross-Cutting issues

##### - Poverty alleviation

The programme will include incentives to promote participation of Least Developed Countries (LDCs). EC cofinancing for projects involving institutions from LDCs shall go up 90%. In addition, the Commission will implement specific promotion and information activities targeting LDCs. If deemed appropriate to attract applicants from LDCs, a system of country allocations can be introduced.

##### - Gender

In some of the beneficiary countries, equal access of men and women to higher education is not necessarily assured. To counterbalance this situation the programme will include provisions to ensure equal access to its activities for men and women.

#### 7.2.7 Risks and conditionalities

The key risk for programme implementation is the lack of a sufficient number of applications under the call for proposals from the target group. A specific risk is the under-representation of institutions from LDCs, who may find it difficult to meet the administrative or co-financing requirements.

There are no specific conditionalities for this programme.

#### 7.2.8. Main indicators

Number of sustainable cooperation activities, such as developed joint curricula and courses, established common teaching/training modules

Number of persons involved in mobility activities and scholarships.

#### 7.2.9 Estimated EC contribution

The community contribution for this programme will be € 25-35 million over the period 2005/06.

#### 7.2.10. Other donors

The programme will be implemented in close co-operation with Member States' programmes and in complementarity with other EC initiatives in the area of higher education. In particular, synergies will be sought with the Erasmus Mundus programme and the international co-operation activities foreseen under the Sixth Framework Programme for Research and Technological Development.

As concerns the coordination with bilateral programmes in similar areas, the Delegations of the European Commission will be involved in project selection and will be in charge of project contracting and management. They will thus be able to ensure effective coordination with bilateral projects

#### 7.2.11. Indicative timeframe

The programme will be prepared in the course of 2004 and the first call for proposals launched early in 2005.

### **7.3. Environment**

#### 7.3.1. Justification

This programme addresses the requirement in the strategy paper's response strategy to define an Asia-wide programme to support the establishment and strengthening of institutions dealing with environmental issues, including local authorities.

A programme – Asia Pro-Eco - with similar objectives as those laid down in the response strategy are currently being implemented by the Commission. Another current programme – Asia Urbs – contains elements that also address some parts of the response strategy's objectives.

As far as the activities of Asia Pro-Eco and Asia Urbs correspond to the requirements of the response strategy they will be continued. This will help to ensure the continuation of successful project activities and a smooth transition to the new programme

Care has to be taken that the reorganisation of these programme activities maintains the brand-recognition, which the predecessor programmes have built up.

#### 7.3.2 Specific Objectives

The programme aims to:

- foster Asian demand for improved environmental solutions, including in urban areas, and to build institutional and technical capacity, including in local authorities, that helps to tackle such change;

- encourage between Asia and the EU the exchange and application of environmental policies, technologies, and practices that promote sustainable production and consumption patterns, including governance issues and capacity building;

### 7.3.3. Expected Results

Creation of sustainable networks among Asian and European institutions

Improved institutional capacity to deal with environmental issues

Improved environmental performance in providing market-guided solutions to environmental problems in Asia.

### 7.3.4. Activities

The programme will support the following activities:

- Partnerships between Asian and European institutions dealing with environmental issues. These projects can for example cover exchange of experience, networking, dialogue and seminars;
- Demonstration activities: the programme will support feasibility and preparation studies well as demonstration projects that pave the way for the transfer and innovation of environmental technologies;
- Studies and analyses to provide a knowledge base upon which future co-operation on environmental issues can be based;
- Capacity-building actions for institutions dealing with environment, in particular with regard to Least Developed Countries (LDCs).

### 7.3.5. Implementation

In view of the N+1 provision in the new Financial Regulation, a great degree of project readiness is required before a commitment of budget.

### 7.3.6. Cross-Cutting issue

Poverty alleviation

The programme will include incentives to promote participation of Least Developed Countries (LDCs). EC cofinancing for projects involving institutions from LDCs shall go up 90%. In addition, the Commission will implement specific promotion and information activities targeting LDCs. The programme will be particularly supportive of project proposals which fulfil its environmental objectives while bringing added value in alleviating poverty, improving health conditions and/or reducing gender inequalities. If deemed appropriate to attract applicants from LDCs, a system of country allocations can be introduced.

In the case of LDC's, special attention will be paid to the provision of incentives to European enterprises and institutions for the purpose of promoting and encouraging technology transfer to these countries.

#### 7.3.7. Risks and conditionalities

The key risk for programme implementation is the lack of a sufficient number of applications under the call for proposals from the target group. A specific risk is the under-representation of institutions from LDCs, who may find it difficult to meet the administrative or co-financing requirements.

There are no specific conditionalities for this programme.

#### 7.3.8. Main indicators

Number of partnerships between European and Asian institutions;

Number of trainings.

#### 7.3.9 Estimated EC Contribution

The community contribution for this programme will be € 15-25 million over the period 2005/06.

#### 7.3.10. Other donors

The Commission is not aware of any Asia-wide programme with the same focus run by other donors. As concerns the coordination with bilateral programmes in similar areas, the Delegations of the European Commission will be involved in project selection and will be in charge of project contracting and monitoring. They will thus be able to ensure effective coordination with bilateral projects

#### 7.3.11. Indicative timeframe

The programme will be prepared in the course of 2004 and the first call for proposals launched early in 2005.

## **8. ASEAN PROGRAMMES**

*The Regional Indicative Programme for ASEAN will be provided as a separate document after completion of consultations with South-East Asian partners.*

## **9. SAARC**

### 9.1. Justification

This programme addresses the requirement in the Strategy Paper to set up a programme of financial co-operation with the South Asian Association for Regional Cooperation (SAARC).

The overall objective is to support closer economic integration of SAARC members, including co-operation on trade and trade related issues, such as trade facilitation, Technical Barriers to Trade/Sanitary phyto-sanitary measures, investment, financial services, and monetary issues.

## 9.2. Objectives

The overall objective of this programme is to support closer economic integration of SAARC members.

The programme has the following specific objectives:

- Enhance the institutional capacity of institutions dealing with SAARC, including SAARC members states administrations, the SAARC Secretariat, business associations and research institutions involved in SAARC.
- Improve the understanding in SAARC members, including among business, of the economic benefits of the integration of SAARC members economies and the costs of a failure to integrate;
- Improve the prospects for the implementation of the agreement on a South Asian Free Trade Area and its development beyond tariff reductions to other areas that are essential in enhancing trade and investment, e.g. customs co-operation, TBT/SPS, competition etc.

## 9.3. Expected Results

Improved administrative capacity of the selected institutions;

Improved awareness among stakeholders;

Concrete regional cooperation actions between businesses, academic institutions and government officials.

## 9.4. Activities

This programme will finance technical assistance and training, as well as studies and information dissemination.

### (i) Technical assistance and training

Subjects covered by this programme component can be any economic subject that is of relevance for further economic integration of SAARC, for example:

- realisation, implementation and possible further development of the South Asian Free Trade Area, - other trade related agreements in the SAARC framework (for example customs procedures, etc.);
- national legislative measures in support of SAARC integration;

Target groups for the this programme component are the staff of institutions directly affected by these SAARC policies, such as for example SAARC member states administrations, the SAARC Secretariat, business organisations and research institutes;

Activities could include seminars, conferences or exchange programmes.

## (ii) Study and Expert Facility, Information Dissemination

This programme will finance experts and studies to show the effects of SAARC integration on the regional economy. Studies and provision or exchange of experts can address issues at regional and national level and address any sectoral issue of relevance to SAARC. If appropriate, these studies may also look at regional co-operation beyond trade matters. Where appropriate, studies will analyse the impact and consequences of the set-up of the SAFTA agreement for SAARC and EU businesses. Information dissemination will be an integral part of the strategy to raise awareness on SAARC activities and the benefits of regional integration.

### 9.5. Implementation

Implementation mechanism should be designed to allow programme implementation as far as possible in the contingency of a worsening political environment. Programme implementation should also rely as little as possible on support from counterpart institutions to minimize the potentially negative effect of their weak institutional capacity.

### 9.6. Cross Cutting Issue

#### Poverty alleviation

The programme will include provisions to ensure the participation of the Least Developed Countries among SAARC members, i.e. Bangladesh, Bhutan, Maldives and Nepal.

### 9.7. Risks and Conditions

Political relations among SAARC members are liable to rapid changes. It is assumed that the political climate will remain conducive for the programme's implementation throughout the life of the programme.

The relatively weak institutional capacity of some counterpart organisations is a risk for programme implementation.

Against this background the programme's implementation mechanism should be designed to allow programme implementation as far as possible in the contingency of a worsening political environment. Programme implementation should also rely as little as possible on support from counterpart institutions to minimize the potentially negative effect of their weak institutional capacity.

### 9.8. Main indicators

Increased capacity of SAARC Secretariat

Increased knowledge/awareness of SAFTA among private sector and civil society.

### 9.9. Estimated EC Contribution

The Community contribution for this programme will be € 2-5 million for the period 2005/2006.

#### 9.10. Other donors

There are only two active financial co-operation programmes with SAARC, which are financed by other donors: one Canadian project to support the fight against AIDS in South Asia, one German project (€1 million) in support of the quality infrastructure in SAARC members. A Japanese study and training facility (annual budget of about € 50,000) has just expired.

Project identification and implementation will assure that the activities under this programme are complementary to activities undertaken in the German standards programme.

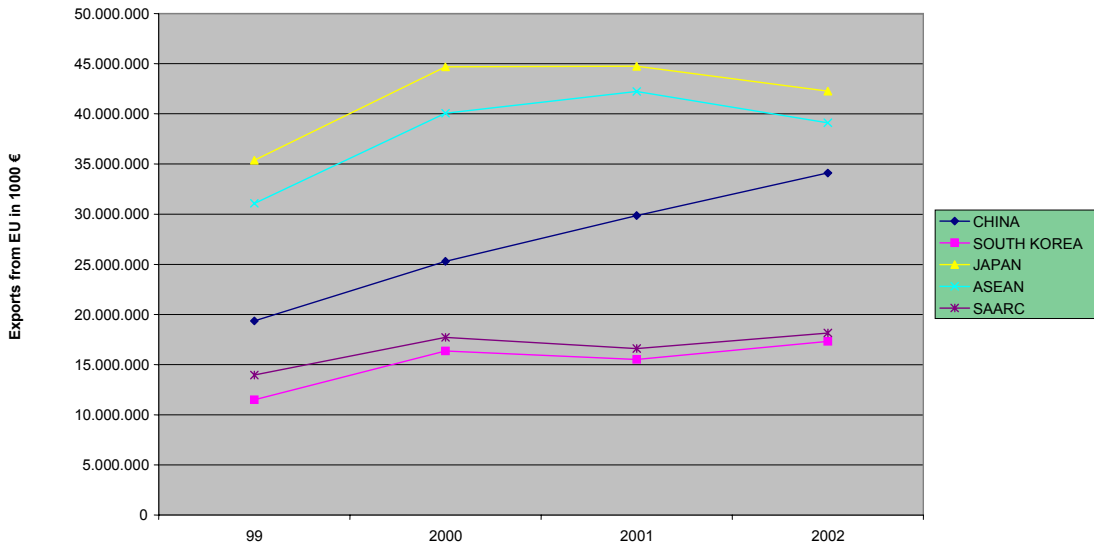
Commission Delegations will be in charge of implementing the programme and will assure effective coordination with eventual bilateral support activities.

#### 9.11 Indicative timetable

Programme preparation will take place in 2004 and programme implementation will start in late 2004 or early 2005.

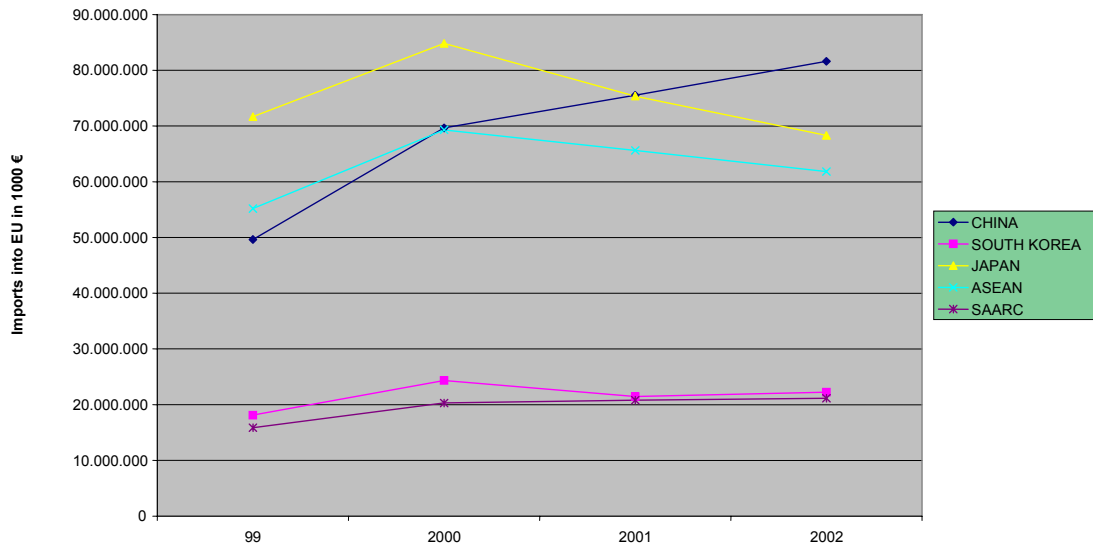
# Annex 1

Exports from EU to China, South Korea, Japan, ASEAN from 1998 to 2002 and SAARC (1999 - 2002 estimated)



Source : Eurostat

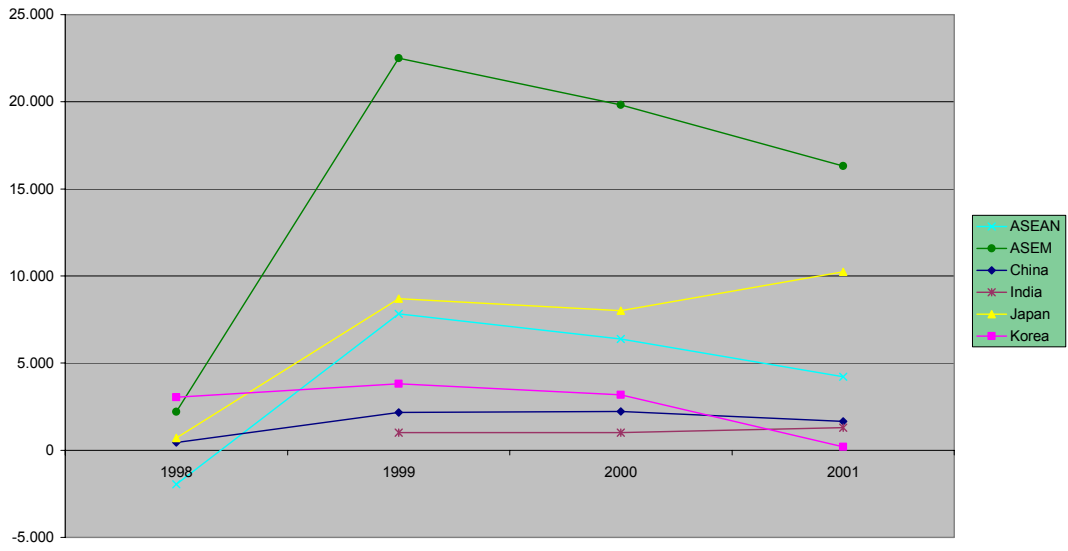
Imports into EU from China, South Korea, Japan ASEAN from 1998 to 2002 and SAARC (1999 - 2002 estimated)



Source : Eurostat



EU Foreign Direct Investment (FDI) in ASEAN, ASEM, China, India, Japan and Korea  
(Mio euros)



## Asia-Wide Programmes

### I. Asia-Wide Programmes

TITLE	BENEFICIARIES	AMOUNT €	START	END	OBJECTIVES	PROGRESS TO DATE
<b>Asia-Link</b> 1998/002-571 2003/005-753  HIGHER EDUCATION	Developing Asian countries covered by the ALA Regulation (South Asia, South East Asia, China).	42,793,800	February 2002	December 2005 (for contracting)	To promote sustainable partnerships and linkages between higher education institutions in Europe and Asia.	First call for proposals launched in February 2002. Under the first two calls for proposals in 2002/03, a total of 75 partnership projects were selected for co-funding with a total EC contribution of € 22.3 million. Third call for proposals provides for deadlines in April and September 2004.
<b>Asia Urbs (phase I and II)</b> 1995/002-544 1995/002-545 2003/005-732  URBAN DEVELOPMENT	Idem	46,000,000	July 1998	December 2004 (for contracting)	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 infrastructure, urban environment).	First call for proposals launched in July 1998. 77 pilot projects funded with a total EC contribution of € 27 million. New call for proposals for 2004 provides for deadlines in March and June.
<b>Asia Invest (phase I and II)</b> 1995/002-624 1995/002-627 2002/004-032  TRADE AND INVESTMENT	Idem	59,800,000	March 1998	December 2007 (for contracting)	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.	First call for proposals launched in March 1998. 206 projects funded with a total EC contribution of € 22.4 million. Second programme phase launched in March 2003. New call for proposals for 2004 provides for deadlines in May and September.

TITLE	BENEFICIARIES	AMOUNT €	START	END	OBJECTIVES	PROGRESS TO DATE
<b>Asia Pro Eco</b> 2001/002-598 ENVIRONMENT	Idem	31,500,000	November 2002	December 2007 (for contracting)	To promote a "cleaner" 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.	First call for proposals launched in November 2002.  31 projects selected so far with a total EC contribution of € 11.7 million.  New call for proposals for 2004 provides for deadlines in May and October.
<b>Asia Information and Communication Technology</b> <b>(Asia IT &amp; C)</b> <b>(phase I and II)</b> 1997/003-152 2003/005-627 INFORMATION TECHNOLOGIES	Idem	45,000,000	August 2000	December 2004 (for contracting)	To promote mutually beneficial partnership projects in Information Technology and Communication between Europe and Asia.	First call for proposals launched in August 2000.  100 projects contracted for a total EC contribution of € 27.8 million.  New call for proposals for 2004 provides for deadlines March and June.
TOTAL COMMITTED		225,093,800				

**ASEAN Programmes**

TITLE	BENEFICIARIES	AMOUNT €	START	END	OBJECTIVES	PROGRESS TO DATE
<b>ASEAN-EU University Network Programme (AUNP)</b> 1997/002-663 HIGHER EDUCATION	9 ASEAN countries signatories to EC-ASEAN Co-operation Agreement	7,000,000	January 2000	January 2006 (end of activities)	To facilitate EU-ASEAN co-operation through linkages in the field of higher education / To strengthen the capacities of universities in South East Asia.	Financing Agreement signed in January 2000. Programme Management Office established in April 2002.  21 co-operation projects selected for a total EC contribution of € 4.1 million. First network initiative launched in December 2003.
<b>EC-ASEAN COGEN Programme (COGEN III)</b> 1997/004-601 ENERGY	7 developing ASEAN countries signatories to EC-ASEAN Co-operation Agreement (Cambodia, Indonesia, Laos, Malaysia, Philippines, Thailand, Vietnam)	16,757,684	January 2002	December 2004 (end of activities)	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.	Financing Agreement signed in September 2000. Programme Management Unit started activities in January 2002.
<b>EC-ASEAN Energy Facility</b> 2000/002-585 ENERGY	7 developing ASEAN countries signatories to EC-ASEAN Co-operation Agreement (Cambodia, Indonesia, Laos, Malaysia, Philippines, Thailand, Vietnam)	21,500,000	March 2002	February 2007 (end of activities)	To stimulate regional energy projects and initiatives proposed by the energy industry from the EU and ASEAN.	Financing Agreement signed in June 2001. Programme Management Unit started activities in March 2002.

TITLE	BENEFICIARIES	AMOUNT €	START	END	OBJECTIVES	PROGRESS TO DATE
<b>ASEAN Regional Centre for Biodiversity Conservation (ARCBC)</b> 1997/002-973 BIODIVERSITY	9 ASEAN countries signatories to EC-ASEAN Co-operation Agreement	9,424,000	July 1997	February 2004 (end of activities)	To promote the establishment of a regional network between the EU and ASEAN and within ASEAN in the biodiversity sector (training, research, database).	Financing Agreement signed in July 1997. Signature of technical assistance contract in February 1999. Now proceeding in line with initial planning.
<b>ASEAN Programme for Regional Integration Support (APRIS)</b> 2002/002-649 INSTITUTION BUILDING	ASEAN Secretariat	4,000,000	February 2003	December 2007 (end of activities)	To strengthen EU-ASEAN relations as a whole and complement the on-going EC-ASEAN dialogue. To assist the ASEAN Secretariat in Jakarta (institution building).	Financing Agreement signed in February 2003. Technical assistance contract signed in August 2003. Overall Work Plan and first Annual Work Plan (AWP) have been prepared during the 3-months inception phase that started on 15/09/03. Activities under the first AWP are expected to start in the beginning of January 2004 according to schedule.
<b>EC-ASEAN Intellectual Property Rights Programme (IPR)</b> 1996/003/137 INTELLECTUAL PROPERTY RIGHTS	ASEAN Secretariat, Cambodia, Laos, Indonesia, Philippines, Singapore, Thailand, Vietnam	7,500,000	November 1996	July 2005 (end of activities)	To enhance investment and trade by contributing to upgrade the ASEAN IPR systems, in line with the highest international standards and practices.	Financing Agreement signed in November 1996. Delays at launching stage. Technical assistance contract with European Patents Office entered into force in July 2000. New type of technical assistance contract under preparation, which will facilitate and accelerate programme implementation.

TITLE	BENEFICIARIES	AMOUNT €	START	END	OBJECTIVES	PROGRESS TO DATE
<b>EC-ASEAN Regional Economic Co-operation Programme on Standards, Quality and Conformity Assessment</b> 1996/004-641 STANDARDS	ASEAN Secretariat, Indonesia, Philippines, Thailand	9,000,000	February 1998	December 2005 (end of activities)	To achieve further economic co-operation by the adoption by ASEAN of internationally compatible technical regulations and standards; conformity assessment procedures; quality structures and practices.	Financing Agreement signed in February 1998. Initial programme design was overly ambitious and needed to be redrafted. Amendment to initial Financing Decision adopted in October 2002. Technical assistance contract signed on 1 October 2003.
TOTAL COMMITTED		75,181,684				

**Other Programmes corresponding to specific needs**

<b>TITLE</b>	<b>BENEFICIARIES</b>	<b>AMOUNT €</b>	<b>START</b>	<b>END</b>	<b>OBJECTIVES</b>	<b>PROGRESS TO DATE</b>
<b>Second phase of EC support to the Asia-Europe Foundation (ASEF)</b> 2002/002-706 CULTURE	Developing ASEM countries covered by ALA Regulation	3,500,000	Dec 2002	December 2006 (end of activities)	To promote cultural and intellectual exchanges between the civil societies in Asia and Europe.	Grant contract signed in December 2002. First annual work programme successfully implemented.
<b>ASEM Trust Fund II</b> 2001/002-599 FINANCE	5 Asian ASEM countries : China, Indonesia, Vietnam, Philippines, Thailand	20,000,000	August 2002	2005 (end of activities)	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.	Administrative Agreement signed with World Bank in August 2002.  As of 16 January 2004 projects for about USD 33.3 million have been signed (from total multi-donor resources available for ASEM TF II of USD 38 million).
<b>Trans-Eurasia Information Network (TEIN)</b> 2003/005-629 INFORMATION TECHNOLOGIES	6 Asian ASEM Countries: China, Indonesia, Malaysia, Philippines, Thailand and Vietnam	10,000,000	March 2004	2007 (end of activities)	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.	Commission decision in November 2003. Service contract to be signed in March 2004.

TITLE	BENEFICIARIES	AMOUNT €	START	END	OBJECTIVES	PROGRESS TO DATE
<b>EU-Asia Civil Aviation Co-operation Project</b> 1998/003-277 AIR TRANSPORT	South Asia: Bangladesh, Bhutan Maldives, Nepal, Pakistan, Sri Lanka; South East Asia: Cambodia, Indonesia, Laos, Malaysia, Philippines, Thailand, Vietnam	15,000,000	December 2001	August 2006 (end of activities)	To enhance space air safety and increase EU-Asian industrial co-operation in the area of civil aviation.	Financing Agreement signed in December 2001. Technical assistance contract with the European Association of Aerospace Industry (AECMA) signed in August 2002.
<b>Asia Initiative for Reproductive Health for Youth RHIYA (II)</b> 2002/002-471 HEALTH	Bangladesh, Sri Lanka, Nepal, Pakistan, Vietnam, Cambodia, Laos	18,540,000	March 2003	December 2007 (end of activities)	To increase the quality and accessibility of reproductive health care in seven South and South East Asian countries	Grant agreement with the United Nations Population Fund signed in March 2003.
<b>Integrated Pest Management (IPM) for Cotton in Asia</b> 1996/002-644 ENVIRONMENT	Vietnam, Philippines, Pakistan, China, India, Bangladesh	12,000,000	March 1999	October 2004 (end of activities)	To promote sustainable, profitable and environmentally sound production of cotton in six Asian countries.	Contract with FAO signed in March 1999. Delays at launching stage. Now proceeding in line with planning.
<b>Trust Fund with International Trade Centre</b>			To start in 2004			
<b>Framework Contract for TRTA</b>			To start in 2004			



TOTAL COMMITTED		79,040,000				
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MAP



## Asia - Human development index compared to other regions

Annex 6

	Life expectancy at birth (years) 2001	Adult literacy rate (% age 15 and above) 2001	Combined primary, secondary and tertiary gross enrolment ratio (%) 2000-01b	GDP per capita (PPP US\$) 2001
Developing countries	64.4	74.5	60	3,85
Least developed countries	50.4	53.3	43	1,274
Arab States	66.0	60.8	60	5,038
East Asia and the Pacific	69.5	87.1	65	4,233
Latin America and the Caribbean	70.3	89.2	81	7,05
South Asia	62.8	56.3	54	2,73
Sub-Saharan Africa	46.5	62.4	44	1,831
Central and Eastern Europe	69.3	99.3	79	6,598
OECD	77.0	..	87	23,363
High-income OECD	78.1	..	93	27,169
High human development	77.1	..	89	23,135
Medium human development	67.0	78.1	64	4,053
Low human development	49.4	55.0	41	1,186
High income	78.1	..	92	26,989
Middle income	69.8	86.6	70	5,519
Low income	59.1	63.0	51	2,23
World	66.7	..	64	7,376

## Asia - Human development index compared to other regions

Annex 6

				Human development index (HDI) value	GDP per capita (PPP US\$) rank minus HDI rankc
				2001	
	Life expectancy index	Education index	GDP index		
Developing countries	0.66	0.70	0.61	0.655	..
Least developed countries	0.43	0.50	0.42	0.448	..
Arab States	0.70	0.63	0.65	0.662	..
East Asia and the Pacific	0.74	0.80	0.63	0.722	..
Latin America and the Caribbean	0.75	0.86	0.71	0.777	..
South Asia	0.64	0.56	0.55	0.582	..
Sub-Saharan Africa	0.36	0.56	0.49	0.468	..
Central and Eastern Europe	0.74	0.92	0.70	0.787	..
OECD	0.87	0.94	0.91	0.905	..
High-income OECD	0.89	0.97	0.94	0.929	..
High human development	0.87	0.95	0.91	0.908	..
Medium human development	0.70	0.74	0.62	0.684	..
Low human development	0.41	0.50	0.41	0.440	..
High income	0.89	0.96	0.93	0.927	..
Middle income	0.75	0.82	0.67	0.744	..
Low income	0.57	0.59	0.52	0.561	..
World	0.70	0.75	0.72	0.722	..