

puts more emphasis on short-term action and the military instrument; whereas the latter strategy is threat-based, the ESS has a much more positive tone to it. As the ESS is founded, *inter alia*, on the conceptual underpinnings of the EMP, this convergence extends to the basic principles of the EU's Mediterranean policy. No major policy differences seem to exist and the EMP is integrated in the programme of every EU presidency – rather the degree of interest for the region differs greatly between member states, which results in a varying degree of activity of each successive presidency.

The implementation of the comprehensive approach on the ground, however, has proved very cumbersome and results have indeed been disappointing. First and foremost this is due to obstacles that are inherent to the region. There is also a need for more co-ordination, not only between member states, but also within each member state and within the European institutions, between the different dimensions of external action covered by the EMP, in order to implement a truly integrated policy. But the lack of progress is also partly due to differences between the EU member states on measures needed to translate the principles of the EMP into practice, notably with regard to the liberalization of the agriculture and textile sectors and the free movement of people. These differences are not so much related to the specifics of the EU's Mediterranean or neighbourhood policies, but are linked to different internal divisions running through the EU (e.g. on the Common Agricultural Policy), to domestic politics (e.g. the sensitivity of the migration issue), and to the willingness of the member states in general to make available the necessary financial means for EU external action. Finally, on a number of issues the policy debate has yet to start and choices have yet to be made. This concerns issues related to the means of operationalizing the strategic choices of the ESS, for example in the field of democratization.

In order to realize the potential of the ESS, the EMP and the ENP, the EU will thus have to elaborate the existing policy consensus and make the necessary choices. The Commission's recommendations issued on the occasion of the tenth anniversary address all of the relevant issues (European Commission 2005). Now it is up to the member states to take action: otherwise, the well-intentioned strategies will remain without effect in the real world of the Euro-Mediterranean area.

Notes

1. Until their accession to the EU in 2004 Cyprus and Malta were Mediterranean partners too, as a candidate country, Turkey too will eventually move to the other side of the table. Libya has been invited to join the EMP on the condition that it accepts the *acquis*.
2. The situation is different for Turkey: like all non-EU European members of NATO, it is already involved in a close dialogue on ESDP, is automatically invited to participate in all EU operations using NATO assets and can be invited to EU-only operations on a case-by-case basis.

14

The Making of the EU's Strategy Towards Asia

Nicola Casarini

Asia accounts today for nearly 60 per cent of world population, for more than one-third of world output and almost 50 per cent of economic growth since 2000. Its share of global trade has increased from 11 per cent to 26 per cent between 1960 and 2005. Since the early 1990s Asian countries have become increasingly significant for Europe's welfare. Asia as a whole is currently the EU's largest regional trading partner and one of the major outlets for European goods and investments. In a context of global interdependence the prosperity of Europe could be jeopardized, more than ever, by economic and/or political instability in the Asian region. From this linkage stems the interest of the EU and its member states in enhancing relations with the thriving Asian economies.

This chapter investigates the following: is there an EU strategy towards Asia? What is its nature and what are its characteristics? And have EU member states converged towards shared notions of Europe's role and interests in Asia? These questions can be answered by analysing the main policy initiatives adopted by the EU and its member states towards Asian countries since the end of the Cold War. The aim is to assess whether and to what extent (and on which issues) EU members have been capable of producing a collective policy towards Asia, expression of a unitary political strategy and of shared notions of European interests vis-à-vis that region. This chapter focuses in particular on the EU's New Asia Strategy (NAS) and the Asia-Europe Meeting (ASEM), the two main initiatives through which the EU and its member states have engaged Asian countries since the end of the Cold War.

After an examination of the development of the EU's Asia strategy since the early 1990s, we will move to a closer examination of the economic dimension, which remains the backbone of EU-Asia relations. We will then assess recent developments of the EU's Asia policy by focusing on security-strategic issues and on Europe's growing involvement in Asian security affairs. At the

end we will draw some conclusions on whether there has been convergence – and to what extent – in member states' foreign policies towards Asia.

1. The development of the EU's New Asia Strategy

In 1993 Germany became the first EU member state to elaborate a strategy towards Asia. In the *Asien Konzept der Bundesregierung*, the German government outlined the new significance of the Asian markets for Europe. This had become evident since 1992 when the EU trade with Asia overtook EU-US trade for the first time. The German concept paper stated that Germany – and Europe as a whole – had to face the challenge of an economically thriving Asia and 'strengthen economic relations with the largest growth region in the world' (Government of the Federal Republic of Germany 1994: 2). The view was held in Bonn that Germany's economic interests would increasingly depend on the ability of German companies to enter into Asian markets. Because of the sheer magnitude of Asia, it was felt that the Federal Republic had necessarily to work through the EU in order to increase its political and economic leverage vis-à-vis the region. Moreover, the German document acknowledged Asia's increasing economic and political assertiveness. As a consequence Bonn pointed out the need for Germany – and the EU – to engage Asian countries in a more constructive way and step up high-level visits to the region. While the United Kingdom (UK) and France had been traditionally known for their 'leaning' towards Asia resulting from their past involvement in the region, this German interest was something of a novelty. Following up on Germany other EU members started to give Asia a higher priority. For instance, the French Minister for Industry, Gérard Longuet, while visiting Beijing and Hong Kong in 1994, launched a new French strategy called *Ten Initiatives for Asia*. Furthermore, France's Foreign Minister, Hervé de la Charette, announced in 1995 that Asia would receive special attention as the *nouvelle frontière* of French diplomacy. In the same period, the UK, Italy, and the Netherlands also started to prioritize the development of economic relations with Asian countries.

Concurrent with initiatives by individual EU member states, in 1994 the European Commission released its Communication *EU's New Asia Strategy* (NAS). The document outlined the following objectives for the Union: (i) strengthen the Union's economic presence in Asia; (ii) contribute to stability in Asia; (iii) promote the economic development of the less prosperous countries and regions in Asia; (iv) contribute to the development and consolidation of democracy and the rule of law, and respect for human rights and fundamental freedoms in Asia (European Commission 1994: 2). The overall strategy of the EU's policy in Asia is related to economic matters which, according to the Commission, need to be presented 'in the framework of the political and security balance of power in the region' (European Commission 1994: 4). But, what does Asia mean for the EU? The 1994 Commission's

paper covers 26 countries grouped according to three geographic regions: the eight countries and economies of East Asia (China, Japan, North and South Korea, Mongolia, Taiwan, Hong Kong and Macao); the ten countries of South-East Asia (Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Cambodia, Laos, Vietnam, and Burma/Myanmar); and the eight countries of South Asia (India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, Maldives and Afghanistan). The rationale that the Commission gives for the EU's new engagement towards this vast and complex region is very clear: 'To keep Europe in its major role on the world stage it is imperative to take account of the emergence of these new Asian powers... It is therefore essential that the Union develops the capacity to play its proper role in the region' (European Commission 1994: 6).

The aim of the NAS is to place the EU member states' relationships with Asian countries into a single integrated framework. Given Asia's size and weight the Commission calls for 'enhanced co-ordination between the Union and its member states in order to achieve critical mass and the desired impact' (European Commission 1994: 5). Moreover, the NAS clearly points out that the Union needs as a matter of urgency to adopt more pro-active strategies towards Asia. The further upgrading of EU-Asia relations came into being in 1996 with the establishment of an institutional mechanism: the Asia-Europe Meeting (ASEM).

2. The Asia-Europe Meeting

With the establishment of ASEM in 1996 the EU clearly indicated that the priority was the development of relations with the economically thriving East Asian countries. Since its inception ASEM has become the most important interregional forum for discussion and co-operation between the EU and East Asia. The first ASEM summit took place in Bangkok in 1996 with the participation of 25 countries: on the European side, the 15 EU member states (plus the Presidency of the European Commission); on the East Asian side, ten countries: Thailand, Malaysia, Singapore, Philippines, Indonesia, Brunei, and Vietnam (ASEAN 7) plus China, Japan and South Korea (i.e. the so-called ASEAN + 3). As a result of the enlargement of the EU in May 2004 the ASEM 5 summit in Hanoi in October 2004 decided to enlarge ASEM to the ten new EU member states, as well as three new ASEAN countries (Cambodia, Laos and Burma/Myanmar) that were not yet part of the process. As stated in the conclusions of the General Affairs and External Relations Council (GAERC) of 13 September, 2004 the participation of Burma/Myanmar was accepted with the expectation that the participation of the Burmese government at the ASEM summits would be lower than head of state/government level.

The ASEM paramount objective has always been the enhancement of economic exchanges between the two regions. In 2005 the ASEM countries

accounted for 43 per cent of global trade and produced 52 per cent of global output.¹ With regard to the political dimension, since the first ASEM summit in 1996, there have been Summit-level (head of state/government) meetings every second year, foreign ministers' meetings in the intervening years, annual or biannual sectoral ministerial meetings plus a range of meetings and activities at the working level. The ASEM process includes three main pillars: political, economic-financial, and cultural-intellectual. In the political field the areas under discussion include the fight against terrorism, the management of migratory flows, human rights, global environment challenges, and the impact of globalization. In the economic and financial field the areas of common concern are related to co-operation on reducing barriers to trade and investment, on financial and social policy reform, and on issues relating to the World Trade Organization (WTO). In the cultural and intellectual field, the ASEM process aims to foster the development of a dialogue of cultures and civilizations based on a wide range of enhanced contacts and dialogue between the two regions, and co-operation in the field of culture and higher education.

At the more strategic level the ASEM process aims to bridge the gap between the EU and East Asia. At the time of the first ASEM in 1996 North America and East Asia had established an institutional mechanism – the Asia-Pacific Economic Co-operation (APEC) – for deepening interregional co-operation and North America and the EU had adopted a New Transatlantic Agenda. In this context it was perceived that there was a glaring missing link as far as the relationship between the EU and East Asia was concerned and that the ASEM process would serve to furnish this missing link in the triangular relationship: North America–EU–East Asia.

The establishment of the Asia–Europe Meeting is the result of the realization of the economic importance of East Asia and the weaknesses of EU involvement in the region. For both sides ASEM is an occasion to send a message to the United States. ASEM allows Europe to avoid the risk of being isolated by too close a collaboration among the Asia-Pacific countries and it also gives East Asia the opportunity to counter-balance the US presence by opening up to EU's economic interests (Casarini 2001: 52). Furthermore, ASEM has acknowledged the de facto diplomatic existence of the East Asian Economic Caucus (EAEC) proposed by Malaysian Prime Minister Mohammad Mahathir in 1990 and strongly opposed by the US because it is meant to exclude non-Asian powers. Launched in 1990 as East Asian Economic Grouping (EAEG), it was envisaged as a Japanese-led counterweight to the perceived emergence of trade blocs in Europe and North America. Because of strong resistance in the US it has remained a concept far from formal implementation. Therefore, it is noteworthy that East Asian countries have begun to act as a de facto group in the interregional ASEM framework. In the end, ASEM has upgraded the international status of East Asia. While the US continues to oppose East Asian countries' plan to appear

as a regional grouping vis-à-vis North America in APEC, the EU has recognized the East Asian grouping by acknowledging that these same states represent 'Asia' in ASEM. From an Asian perspective the goal is not only to have East Asia recognized as the third pole of the world economy, ASEM is also seen as an opportunity to reassert a sense of equality between Europe and Asia against an historical background tainted by colonial relationships and a more recent history of donor–recipient ties. The principle of a 'dialogue on an equal basis' has been reiterated at all ASEM summits.²

From an international political economy perspective ASEM is based on the underlying assumption that an economics-driven tri-polar international order has emerged in the aftermath of the end of the Cold War. In other words, a new tri-polar system based on the three major regions of the world economy – the Triad – has come to substitute the Cold War bi-polarism between the United States and the Soviet Union (Casarini 2001: 28). Traditionally the concept of the Triad entailed the notion of the trilateral relationship between the US, Europe and Japan. At the onset of the 1990s some European observers hoped for the formation of an effective European–Japanese–American trilateral, global concert system (Winstein and Leuenberger 1992: 3). By the mid-1990s, however, the perception of the US–EU–Japan triad as the basic configuration of the new world economic order had lost much of its appeal. In a context of expanding regionalism in North America and Europe and of the economic rise of East Asia, in particular in the four (old) 'tigers' (South Korea, Taiwan, Hong Kong and Singapore), in the (new) 'tigers' of South-East Asia (Malaysia, Thailand and Indonesia), and in mainland China, the old concept of the 'Triad' had to give way to a new image based on the 'Triad regions': North America, the EU, and East Asia. This image would find evidence in the lasting high growth performance of East Asian economies, initially acknowledged by the World Bank in 1993 in *The East Asian Miracle* (World Bank 1993a) and, more recently, by the International Monetary Fund in its 2006 *World Economic Outlook* (IMF 2006). The idea of a tri-polar world economy underpinning the ASEM process has been, traditionally, very attractive to the Chinese leadership and some EU policymakers – in particular the French political elite and some elements within the Commission – as it is perceived as an additional factor contributing to the trend towards the multi-polarization of the international system.

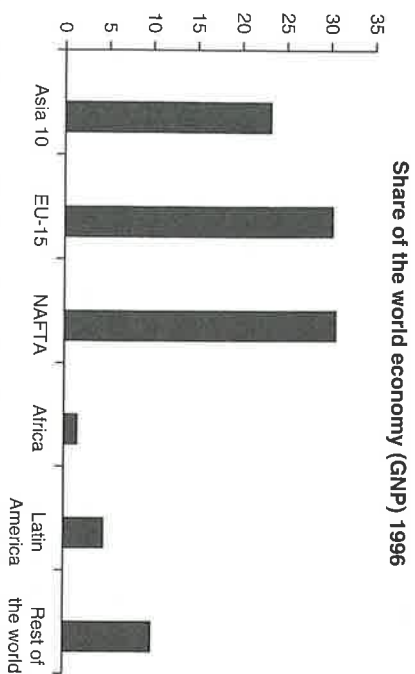
3. Behind ASEM: the rise of East Asia and the tri-polarization of the world economy

At the time of the first ASEM summit in 1996 the image of a tri-polar international economic order was sustained by the evidence of a world economy characterized by the concentration of the economic activity within North America (NAFTA – US, Canada and Mexico), the European Union (EU-15) and East Asia (Asia 10 – Asian ASEM countries: China, Japan, South Korea,

Thailand, Malaysia, Singapore, Philippines, Indonesia, Brunei and Vietnam). The Triad's combined share of the total world GNP was around 85 per cent, while Africa, Latin America and the 'rest of the world' (including vast geographically separated regions such as Russia and Eastern Europe, the Middle East, South Asia and Oceania), were left to divide the remaining 15 per cent (see Figure 14.1).

The basis for East Asia's economic dynamism is fairly evident: most East Asian countries have experienced sustained real annual growth between 7 per cent and 10 per cent since the early 1990s, with an exception during the period 1997–98 when the financial crisis hit the region and many South-East Asian countries experienced harsh economic downturns. However, seen in the long-run, the sustained growth rates of the last decades have contributed to the phenomenal expansion of the productive capabilities of the region. In 1993 the World Bank, using data measured at Purchasing Power Parity (PPP), that is, stripping out the effects of the exchange rate, declared that East Asia would soon be on a par with North America and Europe in terms of economic weight and that the Chinese Economic Area had already become the world's fourth growth pole, along with the United States, Japan, and Germany (World Bank 1993b: 9). According to more recent estimates East Asia as a region is currently outperforming North America and the Euro-zone: China alone would account for 13.6 per cent of world GDP (at PPP) in 2006 and is poised to become the largest economy by 2016 (see Table 14.1).

In its 2006 *World Economic Outlook*, the IMF acknowledges Asia's economic upsurge stating that investment in physical and human capital and, more recently, greater efficiency, have set successful Asian countries apart from Latin America and Africa in terms of development (IMF 2006: 7). The Asian



Note: Elaboration based on data from the working document discussed at the ASEAN Foreign Ministers' Meeting in Singapore on 20–21 February, 1997 (Casarini 2001: 33).

Figure 14.1 The world economy at the time of the first ASEAN in 1996

Table 14.1 The global economy in 2006 and beyond

	GDP growth (average year-on-year change)		percentage of world GDP (at PPP)				
	1986–96	1996–06	1986	1996	2006	2016	
United States	2.9	3.4	22.5	21.6	20.9	20.1	
Euro-zone	n.a.	2.0	n.a.	17.6	15.3	12.9	
Japan	3.2	0.9	8.8	8.7	6.9	5.1	
China	10.0	8.3	5.0	9.4	13.6	20.2	
India	5.9	5.9	4.0	5.1	5.9	7.1	
Rest of Asia	7.8	6.6	13.1	18.1	21.6	25.4	

Note: Elaboration data from: IMF 2006; World Bank 2004; Organization for Economic Co-operation and Development 2005.

(in particular East Asian) successful development path has prompted regional elites into forecasting an increasing assertiveness for their countries. Since the early 1990s, and until the financial crisis hit the region in 1997–98, the dominant discourse was that East Asia would sustain its rapid economic development, would soon surpass the West in economic performance and, hence, would be increasingly powerful in world affairs. As a result economic growth would stimulate among Asian societies a sense of power and an affirmation of their ability to stand up to the West. As they became more successful economically some East Asian policy-makers did not hesitate to emphasize the distinctiveness of their culture and the superiority of their values and way of life compared with those of the West and other societies. A 'cultural renaissance', Ambassador Tommy Koh noted in 1993, 'is sweeping across Asia'. It involved a 'growing self-confidence', which meant that Asians 'no longer regard everything Western as necessarily the best' (Koh 1993: 2). This renaissance would manifest itself in increasing emphasis on both the distinctive cultural identities of individual Asian countries and the commonalities of Asian cultures that distinguished them from Western culture (Ibrahim 1996: 5). In the early 1990s South-East Asian leaders, in particular, trumpeted the rise of Asia in relation to the West and contrasted the virtues of the Asian, basically Confucian, culture responsible for this success – order, discipline, family responsibility, hard work, collectivism, abstemiousness – as opposed to the self-indulgence, sloth, individualism, crime, inferior education and disrespect for authority responsible for the decline of the West. To compete with the East, the advocates of the 'Asian values' argued, the West 'needs to question its fundamental assumptions about its social and political arrangements and, in the process, learn a thing or two from East Asian societies' (Mahbubani 1994: 12). 'Asia's increasing prosperity', Anwar Ibrahim, Malaysia's former Deputy Prime Minister asserted in 1994, 'means that it is now in a position to offer serious alternatives to the dominant global political, social and economic arrangements'.³ The exponents of the Asian values

discourse were mainly intent on addressing a powerful message to Western policy-makers, especially those in the US and Europe who, in the post-Cold War era, had started to advocate the spread of Western style democracy and human rights as tools of foreign policy. What the advocates of Asian values meant with their assertions was that the West was rapidly losing its ability to make Asian societies conform to Western standards concerning human rights and other values. The Asian financial crisis of 1997–98, however, represented a major blow to this growing East Asian assertiveness, temporarily putting a halt to the spreading of the Asian values discourse. It also became a major test for the EU and its ability to emerge as a global actor.

4. The EU and the Asian financial crisis

At the outbreak of the crisis in 1997 a clear EU response was barely apparent. EU policy-makers played down the importance for their region of the crisis since the conventional wisdom insisted that Asian 'economic fundamentals' remained sound (Bello 1999: 5). At the same time, US policy-makers criticized the EU for being less than supportive of international efforts, led by the International Monetary Fund (IMF) and the Clinton administration, to halt the spread of the crisis.⁴ The IMF in particular, seeking to help East Asian countries to avoid defaulting on their debts to foreign creditors, had offered an immediate infusion of foreign exchange in late 1997 (FEER 1998: 25). The governments of Thailand, Indonesia and South Korea had each agreed to an IMF structural adjustment programme aimed to open up the targeted countries fully to international business and to earn the foreign exchange necessary to pay international debts. As the crisis unfolded the EU's response was one of full support for the IMF's prescriptions that, in the words of the EU Trade Commissioner, Sir Leon Brittan, 'would be an opportunity to resist protectionism and promote further liberalization'.⁵ In the middle of the crisis the EU started to adopt a series of policies aimed at safeguarding EU members' economies from possible risks of contagion. The EU policy-makers' assessment of the crisis was based on the perception that currency devaluations could provoke trade conflicts, that there could be a significant slowdown of Asian inward Foreign Direct Investments (FDI) and that European banks could face enormous losses on their lending to the region (Casarini 2001: 44). The Commission also stressed the consequences of the Asian crisis for unemployment and slower growth in EU members' economies. Moreover, Brussels even acknowledged the potentially destabilizing effects of the crisis on the convergence criteria of the European Monetary Union (EMU).⁶

In these circumstances, the second ASEM summit in London in April 1998 provided the EU with the opportunity to show that it could take decisive action to respond to the developing crisis in East Asia. The London meeting thus served two purposes: it endorsed the implementation of IMF's reform

programmes to individual countries – felt to be vital for restoring confidence in Asian economies and financial markets – and provided the EU with a platform from which to advance its international role. More specifically Europe's strategy was aimed at challenging US leadership of the process of global economic governance. EU policy-makers sought to exploit the resentment of some Asian elites of US behaviour, in particular over intrusive demands with regard to human rights, labour and environmental standards and the perception among some Asian intellectuals and political leaders that the financial crisis was a product of a conspiracy by the US. The European approach was seen by East Asian elites as more pragmatic and conciliatory. The EU could, therefore, present itself as a more reliable actor in advancing a regime of global economic governance. At the same time the initiatives taken in the middle of the Asian crisis allowed EU policy-makers to exploit the situation to further the development of a common EU foreign economic policy and promote the EU as a global economic power.

In sum, changes in the world economy between 1996 and 1998 significantly affected the perspectives of the European and Asian partners. In the first ASEM there was a convergence of preferences among EU members with regard to the need to strengthen relatively weak institutional links between Europe and Asia with the underlying perception across European capitals that the Union needed to engage more effectively with the dynamic economies of East Asia. The ASEM 2, instead, held in the shadow of the Asian crisis, became a forum where EU members put forward a common approach based on supporting the implementation of the IMF's reform packages and, at the same time, enhance the EU's international role in matters related to global economic governance. Finally, the Asian crisis revealed that the EU's economic security could be seriously affected by developments in Asia.

5. The new significance of Asian markets for Europe's economic security

As discussed earlier the rationale for adopting a more proactive strategy towards Asia is related to the need to take advantage of Asian emerging markets with the overall aim of protecting the Union's global competitiveness and welfare. According to the European Commission the EU's role is to 'pursue market opening for both goods and services and to overcome obstacles to European trade and investment... [since] active participation for European companies on Asian markets... can contribute to providing qualified jobs for European workers' and help European industry to remain globally competitive (European Commission 2001: 4). This idea of the need to maintain the EU's global competitiveness would find support in the emergence of a new conception of European security in the post-Cold War period. Back in 1993 in the White Paper on *Growth, Competitiveness, Employment – the Challenges and Ways Forward into the 21st Century*, the

European Commission stated that in this globalized world the EU's economic security must be protected (European Commission 1993: 2). In the same year the German government had put forward a new strategy towards Asia, advancing the idea that Europe's global competitiveness and economic security would increasingly depend on European companies' capacity to enter into the thriving Asian markets.

According to the European Commission, Europe's economic security can be defined as 'the long term ability to protect its (relative) welfare position by ensuring access to resources and production capability, securing market outlets and maintaining macroeconomic stability'.⁷ The Commission has repeatedly pointed out that Europe's economic security is directly affected by developments in Asia, in particular by the region's steady, sustained and environmentally sustainable economic growth. But, how in practice does Asia's economic development affect the EU's economic security? For instance, the EU is very sensitive to world oil, raw materials and food markets. Since Asia, due to its large population and economic needs, depends on more and more imports, world markets have to make the corresponding adjustments. Thus, if Asia could maintain a steady economic growth and a stable expansion of its imports, the possibilities for gradual adjustments could be facilitated. From a European perspective disruptive shocks from sudden oil price surges, or strongly fluctuating Asian imports of food and raw materials, should be avoided. Otherwise the world markets and, consequently, the Union's economy, would be adversely influenced.⁸

Furthermore, Asia is one of the major outlets for European goods and investments. At this time of greater economic interdependence, the outside market is becoming more important for the EU than ever before. In addition, with the progress of globalization in production, more and more European businesses are benefiting from the size of Asian markets and its increasing demand for capital investment. In recent years a growing number of European companies have been relocating activities to Asia (especially China) in order to profit from its cost advantage. In the 2004 *European Competitiveness Report*, the European Commission argues that success in the Asian markets – particularly in China – does not only generate growth, but economies of scale, which are even more important for large enterprises in order to protect their strategic position against their international competitors (European Commission 2004d: 353–4). Since it is generally assumed that an increase in European exports, as well as the success of European companies abroad would be translated into the creation of more jobs within the EU, it follows that securing market outlets and fair competition for European industries in Asia has become a major economic interest for European countries.

Because of China's sustained growth and Japan's economic rebound in recent years, the share of Asia's trade on total EU external trade has increased significantly. According to estimates, in 2005 Asia accounted for

25.6 per cent of EU exports and 30.8 per cent of imports.⁹ Among Asian countries, China is currently the EU's first trading partner, followed by Japan, South Korea and Taiwan.¹⁰ Estimates of European FDI flows into Asia accounted in 2004 for some €27.9 billion, although this was still a relatively limited proportion of global EU FDI. Asia accounted for 8.9 per cent of total EU outward FDI in 2004, notwithstanding the increasing amount of FDI flowing into China. The EU is particularly concerned about China, given its size, economic weight and role in the region. According to the European Commission China's steady economic growth is the precondition for China's sticking to its transformation process – the transition to a market economy and integration into the rules-based world trading system – which is essential for assuring fair competition for European companies in the Chinese market. In the case of China the economic factors are closely connected to (and interrelated with) political factors. Since China plays an increasingly important role in the maintenance (or disruption) of regional security, instabilities within China (with potential regional consequences) would have a direct detrimental effect on the region's economic performance and, therefore, on European trade and investments in the entire Asian region.¹¹ In particular, the Commission warns of the dangers inherent in a diminishing attractiveness of the Chinese market along with an eventual closing of the country that could lead to China's neighbours' defiance and containment policies of the West, in particular the US.¹² In contrast, China's opening up and an engagement policy from the West would allow sustaining growth rates and the creation of a good climate for regional stability; hence the insistence of the EU and its member states on a firm policy of engagement towards China in order to help support regional stability and protect the Union's economic interests in the area (European Commission 2003c).¹³

Moreover, the EU's economic interests in the region would be damaged by disturbances in the Japanese economy, which is the world's second largest. The Union's interests would also be affected by turbulences in the area that may destabilize the sea lines on which Europe's trade with the region depend, as well as by any instability in the Korean Peninsula or in Cross-Strait relations (i.e. between China and Taiwan), which is likely to involve both the US and Japan.¹⁴ Given the significance of Asia for Europe's interests, in recent years there has been a growing realization in Europe that the EU needs to engage Asian countries not only on economic and trade issues, but also on security matters.

6. The evolution of the EU's Asia strategy: the emergence of the security dimension

In the aftermath of the Asian financial crisis the EU and its member states started to review the EU's Asia policy. In September 2001 the European Commission released its paper *Europe and Asia: A Strategic Framework for*

Enhanced Partnership (European Commission 2001) with the aim of providing EU member states with a more updated, coherent and comprehensive approach to the long-standing variety of EU-Asia relations, which over the years had matured into a process of individual dialogues linking the EU with ASEAN,¹⁵ China,¹⁶ Japan,¹⁷ South Korea,¹⁸ India,¹⁹ Indonesia²⁰ and on the ASEM process,²¹ energy²² and environment sectors.²³ Interestingly, in the 2001 Commission's Communication the area covered as Asia is broadened: it covers all the countries in South Asia, South-East Asia and North-East Asia that were covered in the 1994 NAS (bearing in mind the change of status of Hong Kong and Macau after their return to China in 1997 and 1999 respectively) plus Australia and New Zealand, given their geographic proximity to – and economic integration in – the Asian region.

In the 2001 document the European Commission clearly states that the economic prosperity of Europe may be jeopardized not only by financial crises but also by political instability in the region. The Commission recognizes ASEAN as a key economic and political partner of the Union and emphasizes its importance for overall relations between Europe and Asia. In this vein in July 2003 the European Commission released *A New Partnership with South-East Asia* (European Commission 2003d), reaffirming the growing importance of the relationship and recognizing that the EU-ASEAN partnership is a 'dialogue between equals' (European Commission 2003a: 3). As part of the new South-East Asia Strategy, in 2003 the EU launched the *Trans Regional EU-ASEAN Trade Initiative* (TREATI) in reaction to the establishment of the three-pillared ASEAN Community by 2020. In line with the *New Partnership with South-East Asia*, the EU agreed at the margins of the ASEM 5 in Hanoi (Vietnam) in October 2004 to start negotiations for comprehensive bilateral Partnership and Co-operation agreements with Thailand and Singapore, which could pave the way for a wider EU-ASEAN free trade agreement.²⁴ These negotiations were carried forward to the ASEM 6 in Helsinki (Finland) in September 2006.

European policy-makers have increasingly been attracted by China and its growing economic significance. According to interviews conducted by this author, since the end of the 1990s China has been the Asian country that has received most of the attention (and resources) from both the European Commission and the EU member states. Since 2004 China has become the EU's second biggest trading partner (after the US) and, according to China customs, the EU has become China's biggest trading partner – ahead of the US, as well as Japan. If current trends continue, Beijing is poised to become the Union's most important commercial partner in the near future. At the sixth EU-China summit held in Beijing on 30 October, 2003 the two sides established a strategic partnership and signed an agreement for the joint development of Galileo, the EU-led global navigation satellite system. With co-operation over Galileo the growing economic relationship has started to include a security-strategic dimension, in a situation of total absence of

issues that could provoke a conflict between the two sides. In this context the proposal to lift the EU arms embargo on China, officially tabled by France and Germany (by the Schröder government) at the European Council of Brussels in December 2003, was intended to give further meaning and content to the newly established strategic partnership. The majority of the EU members converged on the Franco-German proposal to start discussions on the lifting, although the Nordic countries have repeatedly voiced their concerns, in particular with regard to China's human rights record. At the time of writing any decision on the lifting of the EU arms embargo on China is currently postponed due to: (i) strong US opposition; (ii) China's failure to provide clear and specific evidence on the improvement of its human rights record; and (iii) the passing of the anti-secession law by the Chinese National People's Congress (NPC) in March 2005, clearly aimed at Taiwan.

The arms embargo issue has revealed profound transatlantic differences over China. Contrary to the US the EU does not view China as a possible military threat or as a future peer competitor. Beijing's participation in the Galileo project and the proposed lifting of the arms embargo are seen by most of the EU members as the logical extension, in the security and strategic field, of the policy of constructive engagement that has characterized European foreign policy towards China since the mid-1990s.²⁵ The overall aim of the EU's China policy is to engage China in all fields and at all levels in order to support China's development and its integration in international society. The underlying assumption behind this policy is that a firm engagement policy towards Beijing would help support the country internally and, as a consequence, contribute to maintaining regional stability, perceived as the paramount objective for protecting the Union's interests in the area.

7. Europe's contribution to Asian security

As discussed earlier, in recent years the EU has become increasingly concerned by the spill-over effects that political instabilities in Asia may have for Europe's overall welfare. The European Security Strategy (ESS) adopted by the European Council in Brussels on 12 December, 2003 states that 'problems such as those in Kashmir... and the Korean Peninsula impact on European interests directly and indirectly... nuclear activities in North Korea, nuclear risks in South Asia... are all of concern to Europe' (European Council 2003: 11). Both the ESS and the latest Commission's Communication on Asia recognize that it is in the EU's own strategic interests to engage Asia not only on economic and trade issues, but also – and increasingly so – on security matters. But what has the EU done in support of Asian security?

Europe's involvement in Asian security affairs dates back to the mid-1990s. For instance, the EU is a member of the multilateral security activities of the ASEAN Regional Forum (ARF) and the Council for Security Co-operation in Asia Pacific (CSCAP). The ARF as 'track-one' represents the governmental

level (in particular, diplomats from the foreign ministries), CSCAP as 'track-two' involves regional experts of think tanks and universities, as well as government officials in private capacity. With the establishment of ASEM in 1996 a 'track-two' has been initiated, which also includes a multilateral security dialogue on various levels between Europe and Asia. In September 1997 the EU through the European Commission has also become a member of the Korean Energy Development Organization (KEDO), created to implement denuclearization of the Korean peninsula. Since their establishment in the mid-1990s, all the above interregional security co-operation activities have been widened and deepened. Moreover, a number of bilateral security and military co-operation agreements between EU members and Asian countries have been initiated.

The EU has further contributed to peace and security in the region by assisting the establishment of democratic governments in Cambodia and East Timor and by ensuring the implementation of the peace agreement between the government of Indonesia and the Free Aceh Movement (GAM), which fights for the independence of the Indonesian province of Aceh. In order to supervise the peace process the Aceh Monitoring Mission (AMM) began its operations on 15 September, 2005 with hundred of monitors from the EU and from a number of ASEAN countries. In this context the European Commission is providing assistance to the reintegration of former GAM combatants and is funding a number of programmes to support the democratic process and rule of law in Aceh.

Although Europe has no permanent military forces deployed in East Asia after the return of Hong Kong to China, the UK is still a member of the Five-Power Defence Arrangements (FPDA), a military consultation agreement with Australia, Malaysia, New Zealand and Singapore. In addition, France has an operational military presence in the Indian Ocean and the South Pacific, with thousands of troops that can be deployed in East Asia in a relative short time.

The most significant contribution that Europeans are currently making to Asia's strategic balance, however, is through their growing arms sales in the region. Arms transfers are in large part about corporate profit, but they also represent strategic decisions. In recent years Asia has become an increasingly important market for a European defence industry that depends more and more on exports for the bulk of its revenues. According to the 2005 report by the *US National Bureau of Asian Research*, the Asian region, driven mostly by China, India and South-East Asian countries, has emerged as the largest developing world market for arms sales, accounting for almost half of all global purchases made in the period 2001–4 (Ashley 2005). Moreover, the demand for defence and aerospace products (both civilian and military) over the next 20 years is projected to arise outside the US or Europe's market and come mainly from Asia and, in particular, China (Crane 2005). Analysts estimate that since 2005 Beijing has become the second largest market for

aerospace, behind the US.²⁶ China has also become the battleground between Boeing and Airbus, which fiercely compete for the leadership of the world aerospace sector. In this context EU–China co-operation on satellite navigation and other space-based technologies along with European advanced technology transfers and arms sales to China represent huge commercial opportunities for Europe's defence industry and aerospace sector. Although any decision on the lifting of the arms embargo is currently postponed, some EU members (in particular, France, the UK, Germany and Italy) continue to sell weapons to Beijing. In its latest *Annual Report*, the Council states that in 2004 EU member states exported military equipment worth more than €340 million to China, though significantly less than in 2003 (whose total amounted to €416 million). By the end of 2004 eight EU member states concluded a total of 202 deals for transferring military equipment to China. France accounted for the largest share, signing 123 contracts worth €169 million in total, followed by the UK with 38 contracts worth €148 million (Council of the European Union 2005). Thus, in spite of the embargo, some EU governments – and their arms manufacturers – have been able to circumvent it by selling components for arms or dual-use goods (with both military and civilian applications).

Growing EU–China relations in the security and strategic spheres have been carefully monitored by the United States and other concerned Asian partners of the Union. According to the Bush administration China's participation in the Galileo project and the proposed lifting of the EU arms embargo on China may contribute to help China's military modernization and potentially tilt East Asia's strategic balance in Beijing's favour in a situation where there could be future tensions in US–China relations, especially over Taiwan. According to the United States, the security-related elements of the EU's China policy do not take into adequate consideration (i) the US's strategic interests in the Asia-Pacific and (ii) the role of Washington as the ultimate guarantor of East Asian security. This situation provides one of the most crucial challenges for the EU as European policy-makers need to find a compromise between the Union's growing commercial (closely related to strategic) interests in China – and more generally Asia – and the traditional transatlantic relationship. The strong opposition of the US to the proposed lifting of the EU arms embargo on China has caused a serious transatlantic rift. At the same time the arms embargo issue has become a 'wake up' call for Europeans to think more strategically about Asia and about Europe's role in the region.

Conclusion: towards convergence in Asia?

We have seen that since the early 1990s there has been a convergence of EU members' foreign policies towards Asia. This convergence has taken the form of a common 'Asia strategy', in particular on matters of competence

of first-pillar external relations (i.e. mainly trade and aid). However, with regard to issues pertaining to second-pillar foreign policy, the picture is more nuanced. On multilateral issues, such as the EU's participation in Asia's security consultation mechanisms (i.e. ARF, KEDO) or Europe's involvement in peace-keeping and peace-building operations in Cambodia, East Timor and Aceh, there has been a congruence of interests that has allowed EU members to formulate and adopt a common approach. In other cases EU members have tended to pursue independent, and sometimes profoundly different, strategies. The case of the EU's China policy – in particular the arms embargo issue and arms sales to China – well illustrates this point. The large EU members (Germany, France, the United Kingdom and Italy) have tended to pursue their national interests, preferring to cash in on the lucrative Chinese defence market instead of working for an EU common approach towards China and, more generally, towards the region and its security environment. In sum, alongside increased co-ordination on economic and commercial matters and on multilateral security consultation mechanisms, with regard to the more traditional security and strategic matters there continues to be the reality of distinctly different national policies. This dichotomy is likely to persist for the foreseeable future, thus undermining the capacity of the EU to exercise influence in Asia commensurate to its economic weight.

Notes

1. Data from *II Sole 24 Ore*, Tuesday 5 September, 2006, p.1.
2. *Chairman's Statement of the Asia-Europe Meeting*, Bangkok, 2 March, 1996, point (4); see also the website of the ASEM 6 at: <http://www.asem6.fi/>
3. Anwar Ibrahim, *International Herald Tribune*, 31 January 1994, p. 6.
4. 'Heads Stuck in the Sand', *Financial Times*, 24 November, 1997, p. 3.
5. *Financial Times*, 2 December, 1997, p. 5.
6. 'Global turmoil could upset run-up to EMU', *Financial Times*, 9 December, 1997, p. 2.
7. Interviews, European Commission, DG I – External Relations, Brussels. The definition has been put forward by Unit I-2 (Policy Planning).
8. Interview, European Commission, DG I – External Relations, Brussels.
9. Data from European Commission working paper and personal interviews; see also: http://trade.ec.europa.eu/doclib/docs/2006/may/tradoc_113472.pdf
10. See http://ec.europa.eu/comm/external_relations/asia/re/eco.htm
11. Interview, European Commission, DG I – External Relations, Brussels.
12. Interview, European Commission, DG I – External Relations, Brussels.
13. See also Javier Solana, *Driving Forward the China-EU Strategic Partnership*, speech by the EU High Representative for the Common Foreign and Security Policy at the China-Europe International Business School, Shanghai, 6 September, 2005.
14. Interview, European Commission delegation in Japan.
15. *Creating a New Dynamic in ASEAN-EU Relations*, COM (96) 314 final, 3.07.96.
16. *Building a Comprehensive Partnership with China*, COM (98) 181 final, 25.03.98.

17. *Europe and Japan: The Next Steps*, Brussels, COM (95), 73 final, 1995; and *Overview of EU-Japan Relations*, Brussels, 2000.
18. *Framework Agreement on Trade and Co-operation with the Republic of Korea*, COM (98) 147 final, 8.12.98.
19. *EU-India Enhanced Partnership*, COM (96) 275 final, 25.06.96.
20. *Developing Closer Relations between Indonesia and the EU*, COM (00) 50 final, 2.02.00.
21. *The Asia-Europe Co-operation Framework (AECF) 2000*, Seoul, ASEM III, October 2000.
22. *Europe-Asia Co-operation Strategy for Energy*, COM (96), 308 final, 18.07.96.
23. *Europe-Asia Co-operation Strategy in the Field of the Environment*, COM (97) 490 final, 13.10.97.
24. *Chairman's Statement*, The Fifth Asia-Europe Meeting (ASEM) Summit, Hanoi 8-9 October, 2004.
25. For further details on the EU's China policy see Chapter 5 in this volume by May-Britt Stumbaum.
26. 'La Chine: le nouvel Eldorado d'EADS', in *Air & Cosmos*, n. 2009, 9 December, 2005, pp. 10-11; see also Claude Fouquet, 'La France engrange 9 milliards d'euros de contrats avec la Chine', *Les Echos*, Tuesday 6 December, 2005, p. 6.