

The New Asia Strategy of the European Union and the Union's Relationship with China



Procrastination or Partnership ?

presented at

The Fifth Biennial International Conference of the
European Community Studies Association (ECSA) USA
May 28th - June 2nd, 1997

Seattle, Washington

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**- DISTANT NEIGHBOURS -
THE NEW ASIA STRATEGY OF THE EUROPEAN UNION AND
THE UNION'S RELATIONSHIP WITH CHINA**

I Introduction

Former Norwegian Prime Minister Gro Harlem Brundtland may have spoken for other European nations at the first Asia-Europe Meeting, when she said; *'The 19th century was a European century, the 20th century a North American century, and the next century will be an East Asian century'*. Asia is of importance to Europe in the new world disorder. This importance has increased and is in many ways different from the era of the silk and spice trade.

This paper will argue that Asia must not be overlooked by Europe, even less so by the European Union (EU), mainly for five reasons: economy, population, growth, trade and security. Asia counts, first and foremost, for compelling economic reasons: in 1995, the EU was Southeast Asia's second largest export market and third largest trading partner. The World Bank estimates that half the economic growth by the year 2000 will originate from East and South East Asia and the International Monetary Fund (IMF) has forecast that Asian Gross National Product (GNP) will have grown on average by 44 % between 1990 and 1995. The word of the 'Tiger economies' continues to do the rounds in European circles.

Asia matters in terms of wealth, population and migration. Holding half the world's population, Asia accounts for a quarter of the global production. Figures like these impinge on the global equilibrium. The region itself is diverse: East Asia has states such as Singapore which has a comparable level of development to Europe, and those on the Indian sub-continent, where there is extreme poverty. Together, East and Southeast Asia constitute a melting pot of some of the richest and some of the poorest countries in the world, although the wealth gap between North and South seems to be slowly decreasing.

The term most commonly and most continuously associated with Asia, however, is growth: Asian markets for both consumer goods and capital are growing at an unprecedented rate. Average GNP growth per capita in East Asia between 1965 and 1990 was 5.5 %, with Southeast Asia not far behind. But this growth is subject to immense variations and to very rapid spread. This growth matters for Europe. On the other hand trade within Asia is growing equally rapidly, reducing the region's dependence on Europe and the US and increasing the competition for the Union. The European Union has responded to this dual challenge in manifold ways in order not to miss out. Trade, as often, has proved to be the prime catalyst and is to-date the most visible aspect of the Asia-Europe relationship. Total East Asian trade doubled over the last decade. Asia now takes a 20 % share in Union exports (from 7 %), overtaking the 18 % share of the United States. The countries forming the Association of South East Asian Nations (ASEAN)¹ are of particular significance in this context: according to Commission figures, imports from

the seven ASEAN countries rose by some 80% from 1990-1994, exports to ASEAN rose by 73 %. EU exports to ASEAN are now roughly equal to its overall export volume to the 19 Latin American countries.² In relation to the *Asia-10* countries including ASEAN plus China, Japan and South Korea, there is an equally dynamic development of higher trade flows and growth rates.³ Not surprisingly, historical and colonial relations between some member states and the *Asia 10* countries still emerge from the pattern of the bilateral trade flows. Brunei and Malaysia sales, for example, in their vast majority still tend to go through the UK, whilst France functions as an important catalyst for much of the Vietnam trade, the Netherlands as a main outlet for Indonesian exports..

Asia, last but not least matters in terms of security and stability. The world is still grasping for a new strategic balance in the post-cold war era. A stronger European relationship with Asia can create a new balance of power and help to defuse many contentious issues. Asia and Europe are approaching one another at an ever increasing pace. NATO's 1994 *Partnership for Peace (PfP) Initiative* now includes the Turkic Republics of Kazakhstan, Kyrgyzstan and Uzbekistan and hence stretches all the way to the borders of China. The international peace effort in the former Yugoslavia and the Implementation (IFOR) and Stability Forces (SFOR) deployed in the wake of the Dayton Peace Accord include troops from a total of 35 nations, amongst them soldiers from Asian countries such as Malaysia. Regarding the region itself, as the *Asia Times* announced, perhaps a bit prematurely, in its issue of 30 December 1996, 'Asians 'have every reason to look forward to a generation of peace' and 'it is not premature to speak of a new dawn of a *'Pax Asiatica'*'.

Economics, population, growth, trade and security. These five keywords constitute the first, tentative characteristics in the relationship between Asia and Europe, attributes the EU will have to work with. With increased weight for Asia in all these areas, the inescapable conclusion must be that Asia matters politically more than ever before, as growing economic weight both carries and reflects on increased political impetus. For these reasons the EU ignores Asia at its own peril. But the relationship is still a fledgling one. This is mirrored not least in the use of words to delineate it, or rather the lack of them. While the *'Pacific Rim'* is often mentioned by business leaders and politicians, a comparable jargon to describe the relationship between the EU and Asia is only emerging. Yet, neglecting the East whilst maintaining a leading role in the global economy, is an inconceivable path of action for the Union.

Apart from this, another powerful rationale for a closer Euro-Asian friendship, if one were needed, has to be the potential for the reduction of preconceived images, the battle against prejudice. For a long time, the relationship between the two world regions has been fraught with prejudice and cultural misconceptions. The Westerners have more often than not seen the Easterners as competing unfairly, especially through 'social dumping' and destroying their jobs and industries. Conversely, the Orientals have tended to see the Occidentals as rather hypocritical, moralising, good for tourist revenue but in general inclined to erect walls and to build the *Fortress Europe*. Europeans are seen to be pessimistic, to lag behind economically and to fail to resolve their worsening

unemployment crisis. Their high technology is a flop, their welfare system is crippling them. Having held colonial power in the last century, they cannot come to terms with their diminished role as the next century arrives. Their idealistic ideas of further integration, a Single Currency, a Common Foreign and Security Policy are little more than a farce and in many Asian eyes hardly deserve to raise an eyebrow. Europeans tend to see Asia as a world of sweatshops and unfair competition that is putting them out of work, the Asians see the Europeans as a protectionist fortress with the bad habit of preaching at them.

There is a lot of emphasis in recent EU policies on the shifting balance of power in Europe. Eastern Europe and the Union's Pre-Accession Strategy prior to the next enlargement have moved centre stage, closely followed by the New Mediterranean Approach of the Community. The preoccupation with these two geopolitical areas has been evidenced by the recent publication of White Papers.⁴ An approach to Europe-Asia relations, able to tackle the above misconceptions and jaundiced stereotypes and a policy that is similarly vigorous and coherent as the one the EU has established with Central and Eastern Europe or the Mediterranean now seems overdue.

A new policy towards Asia has been long in the making and is finally emerging, not least through the work of the Asian Council Group the Union has established within its drive towards a Common Foreign and Security Policy (CFSP). It seems that perspectives are beginning to be changed and refocused. Perhaps European decision-makers are now grasping a new view on Europe, a view which pays a small tribute to the French writer

Paul Valéry who once called Europe '*...this small cape of the Asian continent...*'. It seems that the EU is beginning to live up to an assurance given at the end of the first ten-year report on Europe-Asian relations: [...]"*but there is no doubt that, whatever the political priorities, the Community's commitment to its partners in Latin America and Asia will be neither hindered nor obstructed by other geographical considerations*". On a similar note, the European Parliament expressed the view in a 1992 Resolution that '*an increased assistance to the countries of Central and Eastern Europe should not lead to a reduction in Community aid either in the case of Asia or in the case of other regions in the world*'.⁵ Community Officials reiterate the view that although the Union's Eastern enlargement policy is now immediately operative, this or other initiatives take no priority over Asia.⁶ However, similar commitments seem to be part of the standard repertoire in EU external relations and guarantees akin to this one have been used in other areas, for example to allay the Mediterranean countries' fears to be drained of funds on account of Eastern European enlargement.

Has the EU finally woken up to the fact that that it is also in its own interest to accord Asia a higher priority ? In its first ever policy statement on the region there is now stronger evidence of an understanding on the side of the Union that the rise of Asia is dramatically changing both the global balance and the parameters of economic and political power. How does this influence the EU policies and strategies towards Asia ? This question will first be approached in the light of the intergovernmental aspects of the

Council of Ministers of the Union and then through the looking-glass of new policy instruments proposed by the Commission.

II A First Approach: Asia on the agenda of EU Presidencies

As far as Asia is concerned, a closer analysis of the priorities of current and former Presidencies of the Council of the European Union shows evidence of neglect as well as signs of hope. The incumbent Dutch Presidency (1 January to 30 June 1997), continues to emphasise the follow-up work to the Barcelona Conference on Mediterranean Policy and the preparation of *'Barcelona II'* as one of their top priorities. Although the Twelfth *EU/ASEAN Ministerial Meeting* in Singapore and the *Second ASEM Foreign Ministers Meeting* both coincide with the period of the Dutch term in office, EU-Asian relations do not feature prominently on the Dutch Presidency agenda.⁷

The preceding (July-December 1996) Irish Presidency's efforts to champion EU-internal matters, the interests of the smaller EU members and the Intergovernmental Conference (IGC) left room only for a mention of the *First Ministerial Conference of the World Trade Organisation (WTO)* in Singapore in December 1996. Apart from this, Asia issues were scarcely touched upon. The Italian Presidency (January-June 1996), although dogged by domestic upheavals, did slightly better: it counted *'a new phase in European-Asian relations'* amongst its top priorities, focusing on the then forthcoming ASEM I (1.-2.3.96) and WTO (Dec. 96) meetings in Bangkok and Singapore. Italy followed earlier French (January-June 1995) and Spanish (July-December 1995) initiatives and appointed

so-called '*facilitators*' to prepare the ASEM summit. Almost naturally though, and again continuing the work of the earlier French and Spanish⁸ incumbents, Italy strove to throw the spotlight on issues 'closer to home', such as the IGC and the *New Mediterranean Policy* of the Union, which at the time was beginning to deflect attention away from the EU's ambitious Pre-Accession Strategy for Central and Eastern Europe.

Although Eastern enlargement had - for historical, ethnic and economic reasons - also been the main concern of the earliest Presidency analysed here, the German one (1 July to 31 December 1994) the relevant German documents contain somewhat more than a passing reference to Asia. The German Council Presidency, in their strategic outline of the tenure, stressed that, owing to 'high economic growth' and the 'immense innovative impulses' originating in the East and Southeast Asian regions, particular attention would have to be paid to them as 'increasingly important partners' and 'attractive markets'. The relationship with the People's Republic of China (PRC), an increased regional and ASEAN co-operation and the encouragement of democratisation efforts were also envisaged as necessary steps.⁹

The work of recent Council Presidencies therefore seems - national idiosyncrasies and priorities apart - to confirm the initial impression: Asia-Europe relations are not entirely left out, they are beginning, but only *just* beginning to be accorded more than superficial attention.

On the level of the Commission it remains to be analysed how the Community is acting and reacting towards Asia. Before the new initiatives and policy frameworks can be understood, however, it seems appropriate to briefly put the EU's relationship with Asia in its historical context.

III A Closer Look: The Development of the Europe-Asia Relationship

'As long as there is destitution and malnutrition, the Community shall have to keep improving its development aid policy, under pain of becoming an island of wealth in an ocean of poverty' (European Commission, The Europe-Asia-Latin America Dialogue, 1991, page 88).

The Community's relations with Asia have traditionally been much less structured than those with either the African Caribbean and Pacific (ACP) countries, the Central and Eastern European or the southern or eastern Mediterranean ones. Despite many colonial ties, the distance and a perceived Russian or Chinese communist threat long prevented Europe from getting better acquainted with the region. According to a regionalist view of aid, the focal point of early EC development co-operation, for example, was to be the African continent instead. Consequently, the *Lomé* Convention did not include a single Asian country.

It seems generally possible to analyse the evolution of Euro-Asian relations with reference to the Community's economic interest and to the severity of the perceived economic threat Asia posed and continues to pose to Europe. Following this line, three regions and three EC approaches, widely different in intensity become distinguishable: South Asia, mainly poor and economically uninteresting to the Community, has attracted some commercial co-operation agreements, food aid and the Community's compassion

but very little involvement in terms of economic co-operation. On the other end of the scale, the dynamism of the first generation of newly industrialising countries (NIC's), such as Taiwan, Singapore or Hong Kong was seen as an acute danger by the Community. Consequently these countries have long been the object of multitudinous discriminatory and defensive trade measures imposed by the Community since the first oil shock hit home the message of the competitive potential of these countries. As late as 1989, this protectionist approach has been strikingly confirmed in a document by the Economic and Social Committee of the European Union.¹⁰ When the EU first chose to intensify its relations with the 'middle group' of countries, the ASEAN nations in the 1970s, the immediate strategic reason for this was, of course, the war in Vietnam. Later, enhanced trade interests of individual member states, such as the UK, a largely positive attitude towards the West and the richness in natural resources amongst the ASEAN nations further promoted EC-ASEAN relations. But it has been argued by at least one observer that Asia and Europe are in fact growing further apart and that relations are set to become more competitive in the future, the further upwards the economic ladder the ASEAN nations move and the closer they come to the first generation NIC's.¹¹

IV The Pillars: Development and Economic Co-operation

The basic twin track approach for co-operation, the division into development aid and economic co-operation has been confirmed as recently as 1992 by a Regulation on *Developing Countries of Asia and Latin America*. With this instrument, the EU reiterated earlier initiatives to encourage economic co-operation in Asian countries to promote trade

and investment and to focus development assistance on the poorest countries in the region.

In terms of development aid, the poorer countries of South Asia have been an early focus of the EC. However, aid has always been a political instrument too. It has been selectively distributed in order to minimise communist influence in the region. In this context, countries like China, Cambodia, Vietnam and Laos initially compare very unfavourably to Thailand or Indonesia. Later the net was cast wider and the preferential trade instruments of the *Generalised System of Preferences (GSP)* were extended in 1971 to all non-associated (i.e. non-ACP) developing countries to encourage industrialisation.¹²

In the initial phase of EU-Asian development co-operation, Asia received 75% of the aid, compared with 20 % for Latin America and 5 % for African states. This breakdown remained more or less unaltered until 1988, when the budgetary entries for Asia and Latin America were separated. Since then 65 % of development aid has been channelled towards Asia and 35 % to Latin America. Since 1976, the EU has spent between 2.900 million and 3.200 million ECU on development aid for Asian countries. This makes the EU the second largest donor to Asia after Japan. In total, the EU has disbursed three times more than the USA. Currently the EU is financing more than 300 development projects in the region, the total expenditure of which amounts to 5.200 million ECU. To these the Union contributes 2.100-2.120 million ECU. India is the main benefactor of these schemes (more than 740 million ECU as of mid-1995), for China, the total amount of projects funded comes to 65 million ECU.

Economic co-operation, based on the notion of mutual interest and benefit is qualitatively different from development co-operation. The EU system of economic co-operation comprises a diverse system of instruments ranging from trade promotion and energy co-operation to issues such as training, regional integration and the environment. Compared to humanitarian aid and development co-operation, the levels of funding for general Euro-Asian economic co-operation projects still seem very low. If one looks behind the figures, they are often described as '*catalytic*' by various official EU sources. From the beginning of economic co-operation in 1976 until 1987, only 217 million ECU were spent, 58 % of them for Asia (42% for Latin America). The annual average over the period 1976-1989 is merely 15.5 million ECU. In 1993 only 12 % of the EU aid for Asia was committed to economic co-operation.¹³ But more recently the EU has earmarked a total of 153 million ECU for more than 80 projects as of mid-1995.¹⁴

In the first stage of the co-operation programme (1976-1984) the approach was still a rather cautious one and it is probably true to say that the more of a geographical and cultural distance there was between the EC and particularly Asian countries, the more the Community relied on Co-funding mechanisms with other institutions, international organisations and EC member states. Art. 4 of the 1981 *Council Regulation on Financial and Technical Aid* set the legislative scene for this pattern. In this period about half the projects in Asia (and two-thirds of those in Latin America) were Co-financed. Between 2.199 and 2.438 million ECU contributed to 389 projects in 33 countries between 1976 and 1989, with Asia getting 69 % (Latin America 28%, Africa 3%).¹⁵ The European

Investment Bank (EIB) has started operating in Asia in 1992/3, dealing with countries who have Co-operation Agreements with the EU.¹⁶ By the end of 1995, the Bank had financed six projects amounting to a total of 251 million ECU.¹⁷

But the co-financing approach lost some of its importance, as partners in Europe and Asia got to know one another better and cultural and linguistic divides could more readily be overcome. In a second stage, comprising the early Eighties, the EC increasingly took sole responsibility for part or the whole of projects, with about 60% of funding provided in the case of Asia (80 % for Latin America). The largest target headings for projects were agriculture, social services, fisheries and disaster management.¹⁸

V Waking Up to a New Asia Strategy

"High growth calls for adjustment (just as does low growth and stagnation, albeit adjustment of a different type). In the context of much of Asia this concerns in particular political liberalisation, as better-paid, better-fed people demand more individual freedom" (European Commission, 'Towards a New Asia Strategy' COM (94) 314, p. 15)

As can be seen from these initiatives, the Union does not come to Asia without the benefit of previous experience. The wide range of existing policy instruments includes bilateral, regional and multilateral ones, such as Trade and Co-operation Agreements, the ASEAN dialogue and co-operation through GATT and UN channels. In addition to these, the instruments of commercial policy, development aid and specific initiatives (NGO's, Humanitarian Aid, GSP, STABEX, EIB, ECIP) have so far defined the EU's relationship with the region. In general, the EU's Asia approach has so far firmly rested on the pillars of mutual economic interest, the desire to advance stability in the East and to improve

political dialogue and development assistance. Solidarity and interdependence hence form the substructure of the existing partnership.

In 1994 the Commission responded to the growing importance of Asia on the world stage in its first ever policy statement covering 26 countries of the region. What has been endorsed subsequently as the *New Asia Strategy* by the Essen Council and the European Parliament (EP) before mid-1995, gathers together the various and diverse strands of the existing approach, revises its aims and prepares the ground for a more coherent framework of future relations. Whilst the document is certainly the new mandatory reference for EU-Asia relations, it does not stand on its own. Additional sources with relevance in this context are the Resolutions passed in 1991/2 about *Human Rights, Development and Democracy* and various reports on the Union's global competitiveness.¹⁹

In its *New Asia Strategy*, the EU acknowledges the urgency of the matter against the backdrop of the political and strategic uncertainties and instabilities occasioned by the end of the Cold War and the fact that in the light of Asia's own resources, the traditionally presupposed dependence on Europe can no longer be taken for granted. The European Union explicitly conceives of its new, more pro-active approach towards Asia as a non-confrontational partnership of equals in which the automatic acceptance of Western values cannot any longer be taken for granted. The cornerstones of the new policy are increased

EU presence, the call for more audacious trade and investment strategies and generally more EU presence and profile in Asia.

The new policy is embedded in a number of well-known parameters: the geopolitical triangle formed by the EU's own Common Foreign and Security Policy (CFSP), the US and Japanese involvement in Asia come to mind first. Of further importance in this context are the political and strategic co-operation between Asian countries themselves and the world. Examples for this co-operation are regional bodies like ASEAN, the South Asia Association for Regional Co-operation (SAARC), the Asia-Pacific Economic Co-operation forum (APEC) and the Asian Regional Forum (ARF).

This background helps to throw the EU's New Asia Policy into relief. The Commission declares that the main objectives for the new dialogue has to be an increase in Asian interest in and knowledge of the Union. This is planned to happen through a host of measures, many new Higher Education partnerships among them.²⁰ In the light of what the EU perceives as a lack of initiative on the side of the Asian countries, the Union is now beginning to set the agenda in this dialogue: arms control, human rights issues and their interdependence with development and drugs. The EU also identifies intensified intra-regional trade, newly-liberalised trading regimes for external trade and low rates of European FDI as issues requiring more attention in the future.

Dwelling on this latter point, Foreign Direct Investment (FDI) is in many ways both revealing and characteristic of the embryonic nature of the Europe-Asia relationship: with only about 10 % of FDI between 1986 and 1992, the EU used to lag far behind other investors in the region, notably Japan and the US. Then, in 1996, an investment study compiled for the Commission ²¹ identified some of the reasons for this. The report came to the conclusion that European businesses had underestimated Asia's dynamism, failed to establish efficient marketing networks, like their American and Japanese competitors and had over-favoured more obvious opportunities in Central and Eastern Europe. The report suggested that the Union should extend its investment programmes to the whole of Asia and improve co-ordination and exchange but placed the main responsibility for action squarely on private businesses themselves. But the picture is not that gloomy any more: in the years following this seminal report, year-on-year rates of investment have improved dramatically. British investment commitments in China for example, total \$ 5.4 billion, making the UK the overall European leader.

Other than investment promotion, involvement in the transition from command to market economies and poverty alleviation form an integral part of the EU's strategy towards Asia. The instruments, policies and initiatives outlined in the framework of the New Asia Strategy are, according to the blueprint, not to be applied simultaneously to all Asian countries. There has to be prioritisation and modularisation of various instruments, depending on the level of development of the target area or country. There is evidence that the Community has indeed adopted such a staged approach.

With the theoretical framework and a number of aid and co-operation frameworks in place, the time was right, by the end of 1995, to find a testing ground for the new initiative. A high-level face to face meeting with Asian partners would provide the opportunity to establish a more concrete dialogue. This opportunity came early in 1996 with the first Asia-Europe summit in Thailand.

VI *The “ASEMtries” of Europe and Asia: The Asia-Europe Meetings*

‘When the Asians come over here, we’ll put sleeping pills in their coffee. It’s the only solution’, said a European diplomat, desperate to slow down Asian policy makers as they charge ahead with plans for European-Asian co-operation. ‘What we need is pep pills in the coffee of most European member states’ retorted an official at the European Commission [.....] (Source: Elisabeth Pisani, Asia going too fast for Eurocrats, Asia Times, 11 December 1996)

For many, the first *Asia-Europe Meeting (ASEM I)* in Bangkok, Thailand, on 1 and 2 March 1996 has demonstrated that Asia has come of age. It is probably more precise to say that Europe was given a unique opportunity of a *rendezvous* with new global realities. As a result it is finally becoming less eurocentric and more inclined to consider exactly what relationship it wants with the Asian region. The EU it seems, is beginning to latch on to the new dynamics of Asia.

The idea for a Europe-Asia summit was proposed in 1994 by Singaporean Prime Minister Goh Chok Tong. It was based on his concept of a tripolar economic world, encompassing North America, Europe and East Asia. ASEM, so the theory went, was supposed to provide the missing link between Europe and East Asia in the emerging triangle of global economic powerhouses. The EU took up the thread and promoted the

concept during the Essen and Cannes Summits in 1994 and 1995. Position papers were exchanged between the EU and ASEAN during successive Senior Officials' meetings. With regard to the planned Bangkok meeting, the Commission issued a separate *Communication on ASEM* to the Council and the EP early in 1996 in which it set out its preliminary position on the basis of the historical uniqueness of the event and the perceived congruity of interests between the EU and Asia.²²

ASEM I took place during the Italian EU Presidency in the format ten plus fifteen plus one. It brought together ten Asian states (the seven ASEAN countries plus China, Japan and South Korea), the fifteen member states of the EU and the Commission. As far as the Asian side was concerned, it is worth mentioning that this is the same format as the so-called *East Asian Economic Caucus (EAEC)* which was proposed by Malaysia in the early 1990's but was essentially still-born. Owing to the lack of any bilateral contacts on a similar level, the main purpose of ASEM I was a comparatively modest one: to decrease distance and to increase understanding between the EU and Asia; to get to know one another; to establish an initial contact, a framework for further reference. Other motives formed the background: to constructively engage China, to create a counterweight to the powerful American-Japanese axis in Asia and to tackle anxieties about contracts being awarded to the Americans, via the Asia-Pacific Economic Co-operation (APEC) forum. Informality, and what was termed 'ignorance reduction' reigned supreme during the meeting.. The theme for the event which had no fixed agenda was '*Towards a New Asia-*

Europe Partnership for Greater Growth,' it thus symbolically connected the ideas both of Mr Goh Chok Tong and the 1994 *New Asia Strategy* of the Commission.

In the view of the Union, ASEM was to be a multi-dimensional and balanced political and economic dialogue, the start of a more committed and regular exchange. In the course of the meeting and although both political and economic topics were discussed, it seemed that the European Union was increasingly more concerned about the political side of this dialogue, while the Asian partners were keener on economics, attempting to fill the perceived gap in the US-Europe-Asia triangle. Despite these initial divergences in the participants' agendas, the talks entered a more specific stage and certain themes were clearly detectable: economic synergies, trade and investment liberalisation, the role of the WTO and of Small and Medium Enterprises (SME's), security, energy and academic exchange. Contentious issues such as East Timor, human rights and child labour, Chinese orphanages and democracy were left to bilateral work, for the benefit of future trade relations, particularly in the military sphere.²³ This was criticised as a failure and hypocrisy by observers and the press the world over. But human rights were not left out altogether: a reference to the 1948 UN Declaration on Human Rights briefly figures in point II/7 of the final Chairman's Statement. Moreover, and on the sidelines of the 'official' summit, around one hundred non-governmental organisations were meeting in Bangkok for two days before ASEM, to discuss human rights and measures to improve links within the framework of a 'People's Agenda'. Specific institutions were not created. ASEM I was a 'feel-good summit', designed to be the beginning of a long-term process. This was evident

in the EU leaders' difficulties in coping with the new dynamism and enthusiasm of their Asian partners and the European surprise at the speed with which the Asians have determined and extended the agenda of their group. The meeting illustrated that decision-making in the EU is much slower, competencies much more complex and bureaucratic hurdles more formidable. The Union's relations with South East Asian and ASEAN countries, for example, are dealt with by Directorate-General I B, headed by Commissioner Mañuel Marin, while North East Asia and the other Asian partners in ASEM fall under Directorate-General I, led by Leon Brittan. A Far-East structure with two masters. In the context of Euro-Asian dialogue, this splitting of competencies more often than not constitutes a challenge for the Union and will demand a much swifter and more flexible approach in the future.

Despite the positive impulses from ASEM I, the neglect of the human rights issue remains a blemish on the new, polished surface of Euro-Asia dialogue. Furthermore, considerable economic asymmetries remain between Asia and Europe, in areas where either the European or the Asian industry is weak and the other side strong. This concerns sectors such as cars, aerospace, transport infrastructure, energy or consumer electronics. Because of the continuing existence of these economically divergent areas, it has been pointed out by several Asia watchers that in the Asia-Europe relationship there are fewer synergies than commonly assumed. This is true in a trade environment where Europe still has to arrive at a trade liberalisation reflecting the comprehensive and courageous parallel process in the *Asia-Pacific Economic Co-operation (APEC)* forum.²⁴ Compared to

APEC, the ASEM meeting was never meant to, nor could it ever emulate the formality and free trade negotiating intentions of APEC. But while taking steps to increase its numbers by up to 11 new applicants, a move opposed in mainly by the US, APEC has recently lost some of its former dynamism and shine. The leaders of the 18 states gathered at the 1996 Manila summit did not succeed in putting any substantial individual market-opening measures on the table. Manila's slim result has dented claims by supporters that APEC is the supreme manifestation of trade regionalism, more efficient than the WTO.

The meeting agreed a host of follow-up measures from academic exchange to the establishment of *Asia-Europe Business Fora* (Paris, October 1996, Thailand 1997, Business Conference Indonesia 1998) and various *Senior Officials'* and *Foreign Ministers' meetings*.²⁵ ASEM I has therefore had a catalytic function. If nothing else, it has at least propelled the speed and intensity of the rapprochement between the EU and Asia. It has had spin-off effects on numerous subsequent gatherings, and to a certain degree, has had agenda-setting function. It was a prelude to the *First Ministerial Meeting of the World Trade Organisation (WTO) in December 1996* and the *EU-Asia Foreign Ministers' Meeting, in February 1997*, both hosted by in Singapore. ASEM I has helped both sides to define the parameters of future dialogue much more clearly. This process is still in its infancy though and there is still much to discuss, much confidence-building to achieve, even on the most general of levels. The Singapore Foreign Secretaries' Meeting provided ample illustration for this: the meeting had quite a detailed agenda, but the host state's delegation soon directed attention away from the details and to the more general

topics such as objectives and rationale of any European-Asian political dialogue and issues of prioritisation between political and economic relations. Other than that, the meeting was almost marred by debates about East Timor and Myanmar. In the end, tangible results were few and far between and following tense negotiations, ministers just agreed on a *Declaration On Labour Standards*, albeit without the sharp edge of sanctions. Other follow-up meetings, such as the one in *Luxembourg in October 1997, ASEM II*, on 2 - 4 April 1998 in London or *ASEM III* in Seoul in 2000 will therefore have a large, fundamental and diverse agenda. Apart from a strengthening of the political side of the exchange, possible enlargement of the ASEM process, to encompass countries as diverse as Australia, Russia or Turkey will be another of the many items. It is to be hoped that the ASEM process will not in the future suffer from an overload of ideas to deteriorate into something that is all process without product.

VII *Asian Regionalism and ASEAN*

'One needs only to whisper and not shout to get things done in ASEAN'
(Domingo Siazon, Foreign Minister of the Philippines, quoted in: *Financial Times*, 26 July 1996 (Ted Bardacke and James Kyngé), page 4)

'We will go as far as the Asians will let us go' (Dr. Mafael, Commission of the EU, DG I, during an interview with the author on 25 April 1997)

Asian Regionalism is a new and increasingly important force to reckon with in international relations. Despite differences and discords, Asian nations have managed to establish a complex web of regional integration and co-operation. There is a large number of small and very small trading zones across political borders in Asia. These 'Natural Economic Territories'²⁶ bind Asian countries together in an extensive and ever growing

network. Within this web, the Association of South East Asian Nations (ASEAN) assumes the most prominent position in relation to the EU and in general. The ASEAN cold war geopolitical group with their seat in Jakarta (Indonesia) was established in 1967 as an anti-Communist bulwark during the Vietnam War, when many believed South East Asian countries would fall like dominoes under the sway of communism. Since then the group has slowly but surely been forging itself into an economic community more populous than the European Union, a vigorous Common Market of more than 500 million people controlling some of the world's most crucial trade and shipping ways. According to recent Commission figures, the average annual growth rate of ASEAN between 1989 and 1994 was 7 % and this looks set to be sustainable. During the Fourth ASEAN summit²⁷ in Singapore in January 1992, it was decided to establish an *Asian Free Trade Area (AFTA)* until 2008 (now 2003), using a *Common Effective Preferential Tariff (CEPT)* as its main instrument covering manufactured and agricultural products. This Free Trade Area could encompass half a billion people over the next decade. The Summit also resulted in the decision to intensify dialogue with China. As a consequence, ASEAN and Chinese Senior Officials held their first formal meeting in Hangzhou, China in 1995. The Fifth ASEAN summit in Bangkok in 1996 brought a Treaty about a Southeast Asia Nuclear Weapon-Free Zone, further talks with Cambodia, Laos and Myanmar (Burma) and the agreement to hold annual informal meetings of the group's members, the first of which took place in Indonesia in December 1996. ASEAN has thus developed its own very considerable dynamics: Vietnam which sparked the foundation of the association was accepted as ASEAN's seventh and first communist member in 1995. A number of new

countries, including some EU ones, have applied to become *ASEAN dialogue partners*. ASEAN's roles, it seems, are forever multiplying, its scope and ambitions extending. ASEAN has developed a more globalised agenda and has moved centre stage in international affairs.

The EU as a whole is amongst ASEAN's oldest partners. Relations began in 1972 and were formally established by the 1980 *ASEAN / EU Co-operation Agreement* and further cemented by the recently created ASEAN Regional Forum (ARF), arguably ASEAN's most significant by-product and so far the only regional security grouping including most of Asia, the US, the EU and Russia. Trade between the EU and ASEAN during 1987 and 1988 grew by an average of 24.5%. The EU is now ASEAN's third most important trading partner, after Japan and the USA and ASEAN is one of the main beneficiaries of GSP. In dealing with US and Japanese competition, a 1992 European Parliament (EP) *Resolution on Economic and Trade Relations between the EU and ASEAN* ²⁸ is an attempt to counteract mutual information deficits and Japanese and American investment domination. It recognises ASEAN, with all its disparities, as amongst the most important economic and political partners of the Union and suggests a number of detailed measures to update and amend the 1980 Agreement. Among these are the strengthening of political dialogue, economic and trade co-operation, protection of human rights and initiatives against child labour, sex tourism, environmental deterioration and drug abuse. 1995 saw a further stage in the dialogue through the creation of ASENSA-EU-SOM, the *ASEAN-European Senior Officials' Meeting*. Moreover, the 11th ASEAN-

EU Ministerial Meeting (AEMM) in 1994 established an *Eminent Persons' Group (EPG)* whose brief was to be to find ways to enhance EU-ASEAN relations. On this basis, the Commission drafted a new 1996 Communication, *Creating a New Dynamic in EU-ASEAN Relations*. The document analyses the APEC- and AFTA framework of ASEAN and provides a detailed description of history, rationale, structure and process of its ASEAN Policy. The document emphasises the importance of the two pillars political and economic dialogue and liberalisation of trade and investment.²⁹

But it is the different approaches and attitudes underlying trade relations that continue to cause friction in the EU-ASEAN relationship. The ASEAN-creed is one of a free world trade, unfettered by social clauses about labour and human rights. The abiding consensus amongst ASEAN nations avoids conflictual debate, promoting rather a culture of *musyawarah* and *mufakat*, or consultation and consensus. This culminates in the assertion of an identity which is different from the West and in the commandment not to make points of issue that exceed member states' comfort levels. In the grouping's relations with the West, the belief '*thou shalt not interfere with the internal affairs of thy neighbour*' has been severely tested in recent years, for example in the cases of Myanmar (Burma) and China. Western criticism has on the Asian side led to renewed accusations of protectionism and western 'lecturing' on human rights and 'moralising through sanctions'.³⁰ It is these fundamental ideological differences that the EU is only beginning to come to terms with.

Burma (Myanmar) is a case in point: the country, sworn in as an observer in 1996 is on track to become a full ASEAN member, together with Laos and Cambodia in 2000. But many believe these countries will be invited to join during ASEAN's 30th anniversary in July 1997. The move ranks as an important counterbalance to China's growing weight in the region. The crackdown on Burma's Pro-Democracy Movement - the *National League for Democracy (NLD)*, led by Nobel Price laureate *Aung San Suu Kyi*³¹ - has provoked numerous condemnations from the EU and the withdrawal of EU and US trade preferences. Tensions were further heightened by the country's alleged tolerating of drug-trafficking and use of forced labour and the death in prison of businessman *James Leander Nichols* who occasionally acted as a honorary consul for Denmark, Norway, Sweden, Finland and Switzerland. The fact that Rangoon (Yangon) was nevertheless embraced by ASEAN leaders over and above western objections first led to irritation in the western camp and to the diplomatically careful statement by Asia Commissioner Mañuel Marin, that part of the new agenda between Europe and ASEAN might be to accept that '*some Asian values differ from European values*'.³² Following the first Asia-Europe Summit, however, the EU gave way and Dick Spring at the helm of the Irish Presidency of the Council of Ministers, is quoted as having said '*Burma is welcome to join the ASEAN Regional Forum*'. Following renewed pressure on Aung San Suu Kyi, the Union has now tightened the screws and resolved not to grant any visitor's visas to Burmese officials. The US approach has become tougher too. In attempting to adhere to a constructive approach, the pitfalls seem endless, treacherous and omnipresent: European human rights concerns prompted some spectacular company pull-outs in Burma (Heineken, Carlsberg), the high

level of British investment, on the other hand caused repeated criticism by the Burmese opposition. Indonesia and East Timor, Hong Kong and North Korea continue figure high on the EU-ASEAN agenda. During the Dublin Summit in December 1996 the ASEAN-EU Senior Officials meeting called on Indonesia to improve its human rights record in Portugal's former colony East Timor.³³ Individual EU countries, such as Sweden, Portugal or Denmark have recently made public statements about Burma's, Indonesia's and China's human rights records and the situation in East Timor.

Against this backdrop, it seems perhaps understandable that the priorities in EU-ASEAN relations is seen by many Community Officials as being much more on economic contacts and on bilateral negotiations and the removal of economic hurdles than on overall political dialogue. The practical working conclusion the EU has apparently drawn is that it will only be able to go as far as the Asians will let them go without on the other hand giving too many one-sided concessions. This belief can also be detected at the heart of the Union's relations with the People's Republic of China.

VIII Distant Neighbours: The European Union and China

'It does not matter whether the cat is black or white, so long as it catches the mouse'. Almost twenty years after Deng Xiaoping³⁴ thus endorsed decentralisation and staged reforms at the *Third Plenum of the Chinese Communist Party's Eleventh Congress* in December 1978, China's economy has undergone profound changes in areas such as state planning, price reform, foreign trade and ownership and management. It has already

grown into one of the largest in the world and some economists have predicted that in a generation's time it will be the biggest. Mandatory economic planning and state ownership have declined drastically but a large state-owned industry remains. The continuing trend towards liberalisation and opening up have produced a leap forward in foreign trade and GNP growth rates of 12-13 % in the early 1990s. When Deng Xiaoping toured the coastal areas in 1992 he pronounced '*to get rich is glorious*', a statement seen by many as an endorsement of dynamic business entrepreneurship in China, albeit in the Chinese way. But the gap between south-eastern coastal and inland areas is widening, emphasised by the creation of Special Economic and other Zones, and leads to potential social unrest and rural-urban migration on a massive scale. The gulf between haves and have-nots, between rural and urban dwellers is constantly widening and a new crime wave in China has grown in the shadow of economic transformation ³⁵

China itself is seeking new alliances, for example with India and Pakistan. Its new triangular diplomacy has culminated in a re-assessment of foreign policy and a new rapprochement with Russia as a leverage against the US. High-level consultations between China's Jiang Zemin and President Yeltsin and the recent Border Treaty between China, Russia and the CIS Republics Kazakhstan, Kyrgyzstan and Tajikistan have led many observers to conclude that China increasingly plays a '*Russia-card*' ³⁶ In the wake of *Tiananmen*, China has also stepped up its efforts to extend its power base in APEC and the Asia-Pacific region. Faced with challenges by Western countries China is channelling much energy into economic construction and development. China is thus increasingly

eager to become involved in regional co-operation in Asia. It has been argued that economics and regional security are the main driving forces for this development. The country is also seeking enhanced international integration. It has been a founder member of GATT and member of the IMF and the World Bank since the early 1980s. The negotiations about China's entry into the World Trade Organisation (WTO) have been harmed by discussions about the level of entry standards, US support of the application and the Chinese-US relationship in general. The Union's 1995 China Communication and various statements by EU and other officials such as trade Commissioner Sir Leon Brittan or US trade representative Mickey Kantor have suggested US and EU support for China both on its own and in the framework of the QUAD group of countries (EU, US, Canada and Japan). But this has to be taken with more than a pinch of salt: substantial concern remains over issues such as the removal of preferential tariffs on Chinese exports to the EU, anti-dumping charges involving textiles, the pace of market liberalisation and other examples of compatibility of Chinese and WTO rules.

The EU has had diplomatic relations with China since 1975 and in 1979 and 1985 signed *Trade and Co-operation Agreements* with the People's Republic.³⁷ Since 1988 the EU has established a diplomatic representation in Beijing. EU-China trade has increased more than fourteenfold since the beginning of reform in China. The EU is now China's fourth largest trading partner, after Japan, Hong Kong and the US, with machinery, transport equipment and nuclear technology topping the list. After enjoying a trade surplus between 1983 and 1987, the EU had a negative trade balance after 1988, reflecting a

growth in China's trade surplus. Following events on Tiananmen Square on 4 June 1989 and the imposition of EU and member states' sanctions, trade relations were characterised by a sudden slump and a gradual recovery. In the meantime the EU has been active again and put forward various programmes covering areas as diverse as manager training, China's participation in the Asia-Invest initiative or local governance to support Chinese reforms.

More recent figures suggest that China's trade surplus with the EU stood at ECU 2 billion in 1994, down from ECU 9.9 billion the year before. The main items China exports to the EU continue to be textiles, clothing and toys. As in the whole of Asia, direct investment is still a weak point for the EU with the UK and Germany being the biggest investors. The Union's policy towards China is a branch of its *New Asia Strategy*. The EU's interests in China are delineated mainly by the areas of security, support for reform, economics, EU presence and competitiveness for European industry. In a 1995 communication to the Council, the Commission has for the first time produced a comprehensive and coherent policy document entitled *A Long-Term Policy for China-Europe Relations*.³⁸ According to the paper, it remains the long-term and overriding aim of EU policy to see China constructively engaged and interlaced in regional and international fora. Since 1994 this process has been intensified through political dialogue, high-level meetings and internationally noted events, such as the World Conference on Women in Beijing in September 1995. In its policy statement and against the background of limited resources, the EU targets education and academic exchange³⁹, encouragement

of economic and social reform and the private sector as main pillars of future co-operation.

On Human Rights the communication calls for a dialogue 'at every opportunity' and on various levels of the relationship and refers to the EU's 1995 proposal for a resolution before the UN Commission on Human Rights, to Tibet and the sanctions after Tiananmen Square. While some EU countries, such as Germany and France are anxious to avoid clashes on the human rights issue, others, including Britain, were following ASEM I, seeking a UN Human Rights Commission Resolution condemning Beijing on account of its human rights record and issues such as child labour, Chinese orphans and Tibet. The European Union is interested in a constructive dialogue and keen on exploiting differences between different Chinese Ministries on the issue, but is far from willing to drop the human rights talks. It increasingly encourages genuine human rights dialogue, such as the Sino-European Human Rights Dialogue Meeting in Beijing in January 1996. To give further practical support to the human rights dialogue, a new co-operation programme on legal and judicial affairs between the EU and China is now under way.

The training of economists has already been part of the relationship in the framework of the *China-Europe International Business School (CEIBS)* opened in Shanghai in 1994 and supported by ECU 30 million by the EU.⁴⁰ Following a Scandinavian human resources initiative, the EU-China Higher Education Programme in the area of European Studies will now run from 1996 to 1999. Furthermore, the EU has

launched a co-operation programme in the field of intellectual property rights (IPR) in 1993. The 1991 China-EC Biotechnology Centre in Beijing is an example of initiatives focusing on scientific and technological programmes.

The scenarios for China's future range from disintegration as Beijing's grip is dissolved by free market developments to a continuation of the opening process with political pluralism as the natural outcome. Still another possibility is thought to be authoritarian government in tandem with economic liberalism Singapore-style, the 'Singapore-Solution' which so impressed Deng Xiaoping.

IX Enter the Dragon: Hong Kong and the European Union

Having survived the turbulent events in China's recent past, notably the excesses of Mao's Cultural Revolution, Hong Kong has grown and prospered like no other place on earth. From sleepy colonial backwater during the 1950's, the Colony has developed into the world's eighth largest trading post. *'Whether Hong Kong succeeds or fails matters to Britain's and indeed Europe's future in Asia'*, Chris Patten, the last and most controversial British administrator to rule the colony has repeatedly been quoted as stating. Meanwhile the huge clock on Tiananmen Square is ticking away relentlessly. The 'Manhattan of the Pacific Rim' and Asia's most popular tourist destination is awaiting handover to Chinese sovereignty as a *Special Administrative Region (SAR)* on 30 June/1 July 1997 amongst concerns about the rolling back of press freedom and civil liberties and the re-patriation of illegal immigrants. Moreover, increased tension continues to surround

the role and activities of shipping magnate Mr. Tung Chee-wah, Hong Kong's post-colonial leader, the replacement, by December 1996, of the *Legislative Council (Legco)* by a hand-picked *Provisional Legislature* to begin work on 1 July 1997 and an expected exodus of mainland Chinese around 1 July 1997.

But these anxieties about the loss of freedoms and the resurgence of Chinese nationalism have so far not dented the business community's optimism for Hong Kong's future who say that the success of this remarkable enclave has always been helped by mainland China's restraint, policies and investment over the last fifty years or so and that the real threat to Hong Kong's role as the world's fifth largest banking centre comes from places like Singapore or Shanghai.⁴¹ While it seems that the future well-being of Hong Kong is also massively in China's interest, Europe will be wise to continue to hold a stake in Hong Kong's future. Against the backdrop of the '*One Country, Two Systems*' theory, agreed by Beijing and London, the basic Law, in Art. 5, stipulates that Chinese socialism will not apply to Hong Kong and it will be able to continue to live a capitalist way of life guaranteed not to be subjected to changes for the next 50 years.

This background is important, because Hong Kong is the European Union's tenth largest trading partner and a key target for EU investment. The Territory currently deals with more than 50 % of the EU's trade with China. In addition to this, large numbers of EU and British citizens are resident in the Territory. There are more Europeans in Hong Kong than in any other Asian city. In the words of EU officials, the EU can therefore not

allow the danger of a 'doomsday-scenario' to become something of a self-fulfilling prophesy. The Union appears to take the view that it is necessary for the international community to actively engage with the Territory to improve the chances for a working EU-Hong Kong dialogue. In its 1995 communication on the co-ordination of its long-term relations with China, the EU supported the principles of the 1984 Joint Declaration signed by China and the UK and of the Basic Law of the Hong Kong SAR, which translated the Joint Declaration into Chinese Law in 1990. In a more recent Communication on Hong Kong, the Commission has stressed the functions of the Territory as a gateway, a channel for exchange or a catalyst for EU-Asia and EU-China relations on the whole. Economic and personal ties and political interests work together, in the Union's view, to guarantee in future a high degree of autonomy and maintenance of Hong Kong's international role. The document is an essentially positive one but the Commission also gives an outline of measures it intends to take to ensure the success of the SAR and European interests in Hong Kong: a special role for the EU's Representation, permanent vigilance and monitoring of developments in Hong Kong, including an annual report on EU-Hong Kong relations from 1998.⁴²

X Conclusions

After a slow start, the Europe Asia relationship is now gaining fresh momentum. Decision-makers on both sides are approaching one another across a cultural and linguistic divide which is still considerable but constantly narrowed by confidence-building measures like

the ASEM summits, enhanced economic relations and political dialogue. This dialogue, born out of new global political and strategic considerations and greatly increased economic - and therefore political - weight on the side of the Asian countries, is now much more firmly on course. It is beginning to be institutionalised bilaterally, through working groups, summit meetings, Foreign Ministers briefings and co-operation programmes and in multilateral fora such as the WTO, the UN and APEC.

The European Union has begun to re-assess and streamline its partnership with Asia within a framework evidenced by separate policy documents for the ASEM countries, Asia as a whole, China and Hong Kong, to name only a few. The main objectives of these political roadmaps encompass wide-ranging economic co-operation, enhanced EU presence in Asia and renewed political and human rights talks. The Union has finally realised the fact that in order to win a slice of the Asian growth cake, its approach to Asia on the whole must gain speed. The obstacles on this course are often formidable. They are, above all, still determined by the enormous diversity amongst Asian states themselves. The danger of European unemployment is looming large and strong US and Japanese competition is never far away. Moreover, the Far East itself has become emancipated, booming intra-regional trade, foreign policy and security re-alignments amongst the Asian nations and the sheer proportions of the economic figures all help to slowly but surely decrease the dependence on Europe. In the new world order, beyond their colonial past, the Europeans are also faced with different concepts of democracy and civil liberties and different mentalities, negotiating styles, priorities and tactics. Developments in Indonesia,

China, Myanmar or Hong Kong have once more highlighted this and the debate about the 'right' or even the preferred route for human rights dialogue - isolation and sanctions or constructive engagement of individual states - is still very much a characteristic of overall EU-Asia relations. The European Union will have to continue on the way it has chosen so far, employing that very Asian of character features, a well-developed sense of balance and proportion.

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- ¹ Brunei (since 1984), Indonesia, Malaysia, Singapore, Philippines, Thailand, Vietnam (since 1995). Myanmar has been given observer status in 1996, the applications of Cambodia and Laos join in 1997 have been agreed. The organisation is on its way to achieving the 'ASEAN Ten'. If growth is measured not only by per capita income but by indices such as the rate of domestic savings and the contribution of high-productivity sectors like manufacturing and production services, the ASEAN nations show a significant quality, with domestic savings rates more than 25 % and industry contributing more than 30 % to Gross National Product (GNP).
- ² European Commission: *Frontier-Free Europe*. Newsletter No. 4 / 1996. Supplement: *The European Union and Asia*, page I, includes more detailed graphs. Office for Official Publications of *The European Communities: The European Union and Asia, Europe on the Move Series*, 1995. (ISBN 92-827-5463-4; ISSN 1022-8233; Catalogue Nr. CC-92-94-691-EN-C)
- ³ The *Big Four* (Germany, France, the United Kingdom and Italy) are responsible for more than two-thirds of total EU / Asia-10 trade flows, in both import and export categories. Germany takes the lion's -share, whereas Spain and Sweden are beginning to show significant export growth rates in 1994. On the other side, Japan and China were in 1994 the biggest destinations for EU products. At the same time, the EU's biggest deficit in the Asian region was also with these two countries (figures for 1994) In terms of goods traded, manufactured goods continue to take an increasingly high share of trade flows, with electrical machinery, vehicles and office machines high on the EU's import list and crude materials, machinery and transport equipment amongst the main export categories that continue to record growth (1994).
- ⁴ e.g.: for the Mediterranean Policy: COM (94) 427; Central and Eastern Europe: COM(95) 163 final.
- ⁵ *The Europe-Asia-Latin America Dialogue*, Office for Official Publications of *The European Communities*, Luxembourg 1991 (ISBN 92-826-2340-8, Cat.Nr. CN-59-90-176-EN-C), p. 93. European Parliament, Resolution on Economic and Trade Relations between the EC and ASEAN, (A 3-0119/92), OJ C 125/274, 10.04.92.
- ⁶ Interview with Mr. Mafael in *The European Commission, Directorate-General I* on Friday 25 April 1997.
- ⁷ Dutch Embassy London Document: *The Dutch Presidency of The European Union*. January 1997, pp. 2 and 10.
- ⁸ Spanish Embassy London Document: *Comité Organizador de la Presidencia Española del Consejo de la Unión Europea. ESPAÑA 1995: Priorities for the Spanish Presidency of the Council of The European Union*, 1995, pp. 23, 26-28, 33-35.
- ⁹ EASTERN EUROPE: von Ploetz, Dr. Hans-Friedrich: *The Integration Strategy of the German Presidency with Regard to the Central and Eastern European Countries*. In: Press and Information Office of the Federal Government (ed.): *European Dialogue in Berlin (Special Edition): Germany's Presidency of the Council of the*

European Union, Bonn, 1994, pp. 27 - 32. ASIA: Embassy of the Federal Republic of Germany: *Setting the Markers for Germany's EU Presidency*. Press Release No. 65/94, 20 June 1994, page 3 and: Press and Information Office of the Federal Government (ed.): *Germany's Presidency of The European Union 1994*, 1994, (publication reference number 140 025 16), pp. 32-33.

10 cf. Economic and Social Committee of *The European Union: Opinion on the Relations between the EC and the Newly Industrialising Countries of South East Asia*, Doc. CES 439/89, Brussels, 1998.

11 Grilli, Enzo, *EC and Asia: Growing Farther Apart*. In: *The EC and the Developing Countries*, CUP, 1993, pp. 271 - 295.

12 The Asian countries were the main beneficiaries of the scheme, accounting for 72 % of imports by the Union under the scheme in 1992. During the 1972 Paris Summit Conference, *The European Community* attempted to formulate for the first time a coherent world-wide development policy. Two years later and following an invitation by the Council, the Commission presented a report suggesting that aid be expanded to include the non-associated countries. Following the instruments of food and emergency aid, aid for projects run by Non-Governmental Organisations (NGO) began in 1976. Individual EC member states gave additional aid through bilateral programmes. Taking its cue from the ACP framework the COMPEX-system was in 1984 brought in to apply to the least developed Asian and Latin American states. COMPEX compensates for losses in export revenue in less developed countries, when their earnings from agricultural exports to the EC fall below specified levels. Similarly, STABEX, the export earnings stabilisation programme designed originally in the ACP context has also covered some Asian (Bangladesh, Nepal [1987], Burma [1988]) and Latin American developing countries since 1986/7.

13 *The Europe-Asia-Latin America Dialogue*, Office for Official Publications of *The European Communities*, Luxembourg 1991 (ISBN 92-826-2340-8, Cat.Nr. CN-59-90-176-EN-C), pp. 23 - 27; COM (94), 314 fin., p. 6.

14 At the beginning was *The European* policy towards the African, Caribbean and Pacific Countries (ACP), begun with the 1963 Yaoundé Convention and continued by four Lomé Conventions since 1975.¹⁴ In 1974, Commission and Council announced that the net was going to be cast wider. The co-operation policy was to be extended to the countries not associated with the ACP framework, termed the non-associated countries. Two years later, in 1976, financial and technical co-operation with the Asian and Latin American developing countries, the so-called ALA-group was provided for, for the first time, in *The European Community* budget and implemented with support of *The European Parliament* (EP). The first regional agreement with ASEAN and with China followed in 1980. In an important legislative move, the Council adopted a Regulation in the following year which covered the entire co-operation policy for financial and technical aid to the non-associated countries. In February 1981 a Council Resolution was adopted covering financial and technical aid to non-associated developing countries of Asia and Latin America (ALA). This working relationship, however, unlike the Lomé partnership, was not to be governed by a multi-annual agreement with the recipient countries but by individual Community decisions. The EU is providing technical assistance in relation to standards, quality control and intellectual property rights through bodies such as the relevant ASEAN Consultative Committee. Vietnam benefits from the largest technical assistance programme the EU initiated in Asia in 1995. New bodies have been created to facilitate exchange of technological know-how. An example of these is the Asian EC Energy Management, Training and research Centre in Indonesia. Examples for some diverse Asian projects: *The Europe-Asia-Latin America Dialogue*, Office for Official Publications of The European Communities, Luxembourg 1991 (ISBN 92-826-2340-8, Cat.Nr. CN-59-90-176-EN-C), pp. 54 ff. (56-69).

16 cf. annex III, p. 30 of COM (94) 314 (*Towards a New Asia Strategy*) for a detailed list of these.

17 European Commission, *Frontier-Free Europe Newsletter* No. 4 / 1996. Supplement: *The European Union and Asia*, page II with a detailed breakdown of the initiatives. Office for Official Publications of The European Communities: *The European Union and Asia*, 1995 (Europe on the Move), cf. footnote above; COM (94) 314, page 7

18 Overview in: European Commission: *The Europe-Asia-Latin America Dialogue*, Office for Official Publications of the European Communities, Luxembourg 1991 (ISBN 92-826-2340-8, Cat.Nr. CN-59-90-176-EN-C), pp. 18, 19.

Reflecting this stronger involvement of the Community, between 1985 and 1988 the *EC International Investment Partners Initiative (ECIP)* was developed, in order to promote joint-ventures in Asia, Latin America and the Mediterranean and to promote investment by Small and Medium-Sized Enterprises (SME). This has comprised more than 442 projects until 1994. In 1989 the Commission published its report on 13 years of co-operation between the EEC and the ALA countries since it was first budgeted. The policy towards the ALA countries was finally given a further impetus by the proposals regarding multi-annual targets in 1990.

19 OJ C 326, 16.12.91, p. 259

20 COM (94) 314 final, pp. 10, 19

21 European Commission and UNCTAD Division on Transnational Corporations and Investment: *Investing in Asia's Dynamism. European Union Direct Investment in Asia*, Luxembourg, 1996.

22 ASEAN-concept paper: '*Asia-Europe Meeting*', March 1995; EU response: '*Meeting between Europe and Asia*'. Commission Document: *Communication from the Commission to the Council and The European Parliament - Regarding the Asia-Europe Meeting (ASEM) to be held in Bangkok on 1-2 March 1996*, COM (96) 4 final, 16 January 1996, Brussels. - Details in: Victor Pou Serradell: '*The Asia-Europe Meeting (ASEM): A Historical Turning Point in Relations Between the Two Regions*.' In: *European Foreign Affairs Review* 2/1996, pp. 185 - 210 [190/191].

23 Asian military budgets continue their growth in the post Cold-War era. The UK's share in the arms trade in the region alone is estimated to be around £ 520 million (cf. Catherine Field, Major in Race to Trade With Tyrants, *The Observer*, 25 February 1996, page 22)

- ²⁴ APEC was launched on the initiative of Australia in 1989 in response to the growing interdependence amongst Asia-Pacific economies. APEC economic leaders met for the first time on Blake Island near Seattle in 1993. APEC comprises 18 individual economies and is since its 1994 summit in Indonesia committed to achieve free flow of goods, services and investment by 2010 for industrialised members and by 2020 for the others. This was confirmed at the November 1995 APEC forum in Osaka, Japan. cf. Tony Miller, *Better to Give than to Receive*, FT 24 June 1996. The 1996 Manila meeting did, however, not achieve as much as was anticipated, which led some observers to mock APEC as 'a perfect excuse to chat'.
- ²⁵ cf. Working Paper of the Services of the Commission: *Preparation and Co-ordination of the ASEM follow-up*, European Commission, 29 March 1996.
- ²⁶ Robert A. Scalapino, 'The US and Asia: future prospects', *Foreign Affairs* (Winter 1991/2), p. 21
- ²⁷ First Summit: Bali (Indonesia), 1976; Second Summit: Kuala Lumpur (Malaysia), 1977; Third Summit: Manila (Philippines), 1987; Fifth Summit: Bangkok (Thailand) 1995.
- ²⁸ A 3-0119/92 in OJ C 125/269-276, 10.04.92.
- ²⁹ *Creating a New Dynamic in EU-ASEAN Relations*, COM(96) 314 final, 3 July 1996.
- ³⁰ cf. 'ASEAN forum rolls out red carpet for Burma' (Reuters) In: *The Australian* (Australia), 22 July 1996 and 'Asean bleibt China gegenüber mißtrauisch' (OJ/DW), in: *Die Welt* (Germany) 22 July 1996. Martin Woollicott, *The sea through Reality of Sanctions*. In: *The Guardian*, 31 August 1996, p. 23. Arnold Kemp, *EU Backlash over Child Labourers*. In: *The Observer*, 6 October 1996, page 22.
- ³¹ cf. The excellent account 'Freedom From Fear' by Aung San Suu Kyi, Penguin 1995.
- ³² reported in *The Financial Times* (James Kynge) of 31 July 1996, on page 6.
- ³³ cf. The EU's Common Position on East Timor: OJ L 168, 1996.
- ³⁴ Deng Xiaoping died on 19 February 1997, cf. John Gittings, 'Marching through the storm', in: *The Guardian*, 20 February 1997, p. 18 and Erwin Wickert, 'Der Glaube des Volkes heißt Geld', in: *Die Welt* 8 July 1995.
- ³⁵ cf. Adrienne Woltersdorf: 'Es gibt viel zu viele Chinesen' In: *Die Welt*, 19 August 1995, p. G 1; Olaf Jahn: 'Im Schatten mitgewachsen' - In: *Die Welt*, 27 Nov 1995; Herbert Kremp: 'Chinas Rolle' - In: *Die Welt*, 21 August 1996; Eberhard Sandschneider, 'Ein Reich zwischen Traum und Erwachen', In: *Die Welt*, 8 November 95, p.W 1
- ³⁶ cf. Andrew Higgins. 'China plays a Russia card' In: *The Guardian* 23/4/96, p. 10; Peter Ustinov 'Wind up Deng Xiaoping and he will wave to an invisible crowd', in: *The European*, 5 - 11 December 1996; M. Brüggmann: 'Grenzvertrag unterzeichnet' In: *Die Welt*, 24. April, 1997.
- ³⁷ For a detailed scrutiny of both the 1979 and the 1985 agreements, cf.: Xiao Zhi Yue, *The EC and China*, Butterworths, London, 1993, pp. 21 ff. (Current EC Legal Developments Series).
- ³⁸ *A Long-Term Policy for China-Europe Relations*, COM (95) 279 final
- ³⁹ Only about 6000 Chinese students are in Europe, compared to ten times as many who participate in exchange programmes with the US.
- ⁴⁰ cf. Erling, Johnny, 'Das Reich der Mitte braucht Manager für die Marktwirtschaft', In: *Die Welt*, 13 November 1995, page 3
- ⁴¹ cf Rogier Falgot, 'Democrats braced for hot impact with Beijing', In: *The European*, 2 - 8 January 1997 or Ian Verchère, "Business as usual" even after 1997', in: *The European, Hong Kong Special Report*, 12 - 18 September 1996.
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15/05/97