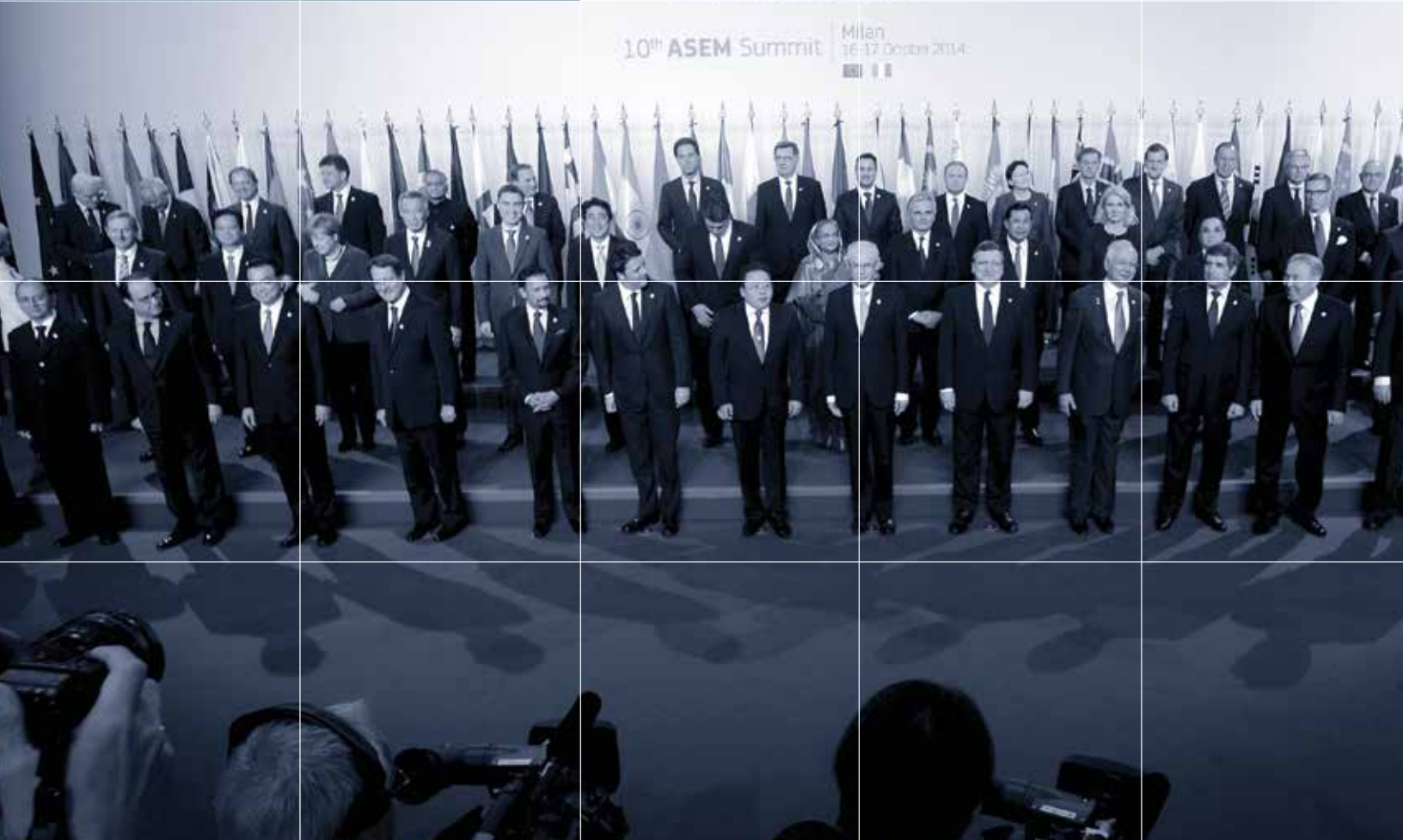




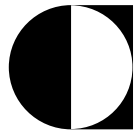
Asia-Europe Meeting  
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10<sup>th</sup> ASEM Summit | Milan  
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# KEEPING EU-ASIA REENGAGEMENT ON TRACK

Richard Youngs



**CARNEGIE**  
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Centre in Singapore

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# **KEEPING EU-ASIA REENGAGEMENT ON TRACK**

Richard Youngs

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## About the Author

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## Summary

The relationship between the European Union (EU) and Asia is in flux. The EU intensified its economic ties to Asia and boosted its security cooperation in the region in 2011 and 2012. But new challenges, including the crises in Ukraine and the Middle East, have made it difficult to sustain this incipient momentum. There are a number of steps that EU and Asian governments can and should take to continue to strengthen their relations.

### A New Focus

- The eurozone crisis encouraged the EU to upgrade its trade and commercial relations with Asia, as European governments sought out economic growth that was lacking at home.
- European and Asian governments have made many formal commitments to strengthen their economic and political ties. With EU agreements proceeding slowly, member states have often pursued their own bilateral pacts in the region.
- The EU has begun to position itself as a partner in nontraditional security approaches in Asia, launching strategic dialogues and calling for the rule of law to be applied in maritime disputes. While this attention to soft security is much needed, the model is meeting severe resistance from some Asian countries.
- The long-overlooked relationship between the EU and the Association of Southeast Asian Nations (ASEAN) received a particularly important boost as European governments deepened their ties to the region. But to progress further, it must overcome growing tensions within some ASEAN member states.
- As the economic crisis subsided, so too did some of the impulse behind the EU's turn toward Asia. Meanwhile, concrete follow-through on existing commitments has been lacking.

### How the EU and Asia Can Maintain the Momentum

**Expand trade rules.** In trade policy, the EU and Asia should build on the plethora of bilateral free trade agreements either signed or being negotiated to develop more multilateral commercial rules.



**Stress unity, not bilateralism.** The EU will not have a single foreign policy in Asia that completely cuts out member states' policies. But European governments should temper the trend toward competitive bilateralism and focus their efforts on more coherent aims.

**Promote soft security.** Although the EU will not be a major security player in Asia, it can and should do more to promote nontraditional forms of cooperative security.

**Focus on human rights and democracy.** As social protests gather steam in Asia, the EU will need to reconsider the place of human rights and democracy in its Asian policy, correcting its neglect of the issue in recent years.

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## Introduction

In 2011 and 2012, in the deepest trough of economic crisis, the European Union (EU) moved to intensify its engagement with Asia, giving these long underprioritized relations a much-needed jolt. But, three years on, new challenges have arisen to sustaining this dynamism.

Prior to the eurozone crisis, the EU's main focus in the region had understandably been on its economic relationship with China, and the union had failed to accord Asia's other rising powers the importance they merit. But as the euro teetered on the edge of collapse, the EU broadened its Asia policy. Both European and Asian governments recognized the need to strengthen economic and financial cooperation. Growing strategic tensions in Asia also brought the need for more meaningful security cooperation center stage. The EU made a series of commitments to upgrade its strategic and economic presence in Asia.

During 2011 and 2012, the EU made its own modest pivot toward Asia. European commercial diplomacy intensified across the region, from Japan and Indonesia all the way to India. A plethora of trade talks advanced. The EU drew new, apparently ambitious, strategic guidelines for the region and declared 2012 its Year of Asia. Its then foreign policy high representative, Catherine Ashton, stated: "Developing our relations with Asia across the board is a major strategic objective."<sup>1</sup> The number of European ministerial visits to Asia mushroomed. Member state governments frequently alluded to their commitment to intensifying political, economic, and social links with Asia. Asian governments reciprocated the apparent desire to move relations into a new phase. Governments on both sides invested notably more effort into ASEM, the biennial Asia-Europe Meeting summit.<sup>2</sup>

There are now incipient signs that this new momentum in EU-Asia relations has slowed. The October 2014 ASEM summit in Milan included many useful bilateral sessions (and a meeting between EU leaders and presidents Vladimir Putin of Russia and Petro Poroshenko of Ukraine that rather stole the show) but did not produce any significant results.<sup>3</sup> The new Europe-Asia rapprochement has not unraveled but it has decelerated.

This shift can be explained by several changes to the economic and political landscapes on both the Asian and European sides. These include the way that the eurozone crisis has evolved; the emergence of new conflicts in the EU's immediate neighborhood; and more challenging security and political conditions in Asia. The often underanalyzed relationship between the European

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**The new Europe-Asia rapprochement has not unraveled but it has decelerated.**

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Union and the Association of Southeast Asian Nations (ASEAN) has also been an important factor in recent years. And, in considering European policies toward Asia, it is important to look not just at the role of the EU collectively, but also at member states' national strategies—and the crucial, complex relationship between the two.

There are, however, a number of ways in which the gains registered in recent years can be consolidated and a serious loss in momentum averted. One issue

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**A sustained and mutually beneficial EU-Asia relationship will in the future depend not only on ad hoc achievements in particular policy areas, but also on institutionalized rules and norms to guide the relationship.**

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is of crucial conceptual importance to both economic and strategic questions: a sustained and mutually beneficial EU-Asia relationship will in the future depend not only on ad hoc achievements in particular policy areas, but also on institutionalized rules and norms to guide the relationship—and on how solidly these can be embedded in practical decisionmaking.

It has become a somewhat hollow and tired cliché to note that Asia and Europe matter to each other; endlessly repeating this does not reveal much that is useful. The question is whether there is political will on the two sides to move the relationship into a qualitatively superior phase, with more firmly rooted practices based on reciprocated and diffuse mutual benefit. If there is not, for all the gains made in the last five years, policy toward Asia will remain the poor relation of EU foreign policy, and Asian policies toward the EU will lack firm geostrategic commitment.

## New Challenges and New Approaches

If the EU did not turn inward and become dramatically more protectionist during the eurozone crisis, this was in large measure because European governments saw fast-growing Asian markets as a potential source of growth—growth that has been so pitifully limited within Europe itself. However, while European economies still need this growth, since early 2014 the policy priorities appear to have changed.

While the EU has not definitively resolved the root causes of its economic problems, the situation appears less acute today than in 2011–2013. European governments still avidly hunt for trade deals and support their companies as they compete for international contracts. But the desperate need to attract Asian funds to cover debts has abated somewhat. Moreover, concern has shifted from the economic crisis to a series of political-strategic crises in Ukraine and the Middle East that are pulling the EU's attention away from Asia.

Of course, historically, European powers were deeply and controversially engaged in Asia. But as EU foreign policy cooperation deepened, the region slipped down Europe's list of strategic priorities. In 2011 and 2012, the EU made substantive efforts to reengage.

The euro crisis quickly intensified the EU's commercial and economic focus on Asia. In 2012, the EU and Asia became each other's biggest trading partners. European governments' assertive economic diplomacy helped ensure that EU exports to Asia increased during the crisis.<sup>4</sup>

The EU concluded its most far-reaching trade deal with South Korea in 2011. This strongly benefited EU exports to the country, which increased by more than 30 percent in 2012. The EU also accounted for 40 percent of foreign direct investment in South Korea in 2012. A free trade accord with Singapore was finalized in December 2012. Negotiations for similar agreements were opened at various stages with Japan, Thailand, Vietnam, Malaysia, the Philippines, and Taiwan. European Union officials insisted that the raft of new bilateral offers would eventually feed into a process of overarching multi-lateral liberalization.

Europe's commercial dealings with China also intensified. EU exports to China increased exponentially during the eurozone crisis, narrowing the union's trade deficit with the rising giant. Furthermore, Chinese investment in EU economies increased more than tenfold, from 700 million euros (\$875 million) in 2008 to 7.4 billion euros (\$9.3 billion) in 2011. A third of all Chinese foreign investment in 2011–2012 went to EU states.<sup>5</sup> Talks began on an EU-China investment treaty. Much of this new trade and investment involved Germany, which accounts for nearly a half of all EU trade with China.

The EU has been the main advocate for this trade liberalization, in part because Asian states currently enjoy lower barriers into European markets than vice versa. Since the crisis, trade with Asia has become more important for the EU; for Asian economies it is intra-Asian trade that has become more important. At the same time, European governments competed among themselves for Chinese funds in large measure because the money came without the kind of International Monetary Fund conditionality that the EU for a long time preached to developing states—an irony highly relevant to the reshaping of global governance that is not lost on Asian powers.<sup>6</sup>

Yet the eurozone crisis was also of major concern to Asian economies. The situation revealed just how deeply interdependent the European and Asian economies have become. Mainly as a result of the euro crisis, between 2010 and 2012 total net private capital flows to emerging Asia virtually halved.<sup>7</sup> Asia was the region that was most highly leveraged to European bank credits. It was the region that suffered the largest output losses attributable to the crisis.<sup>8</sup> Most Asian politicians and business leaders remain keen on having the euro as a counterbalance reserve currency to the dollar and followed the currency's plight with growing concern.<sup>9</sup> Asian states also sought bilateral deals with the EU as a counterweight to their increasing trade dependence on China.

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**The eurozone crisis revealed just how deeply interdependent the European and Asian economies have become.**

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During the crisis, Asia became the largest holder of euro-denominated assets. From 2010 to 2012, Japan bought 7 billion euros (\$8.7 billion) worth of bonds issued by the eurozone's temporary rescue fund, or 7 percent of the rescue bonds on issue; in 2013 it moved to purchase bonds from the European Stability Mechanism—the temporary fund's permanent successor—as it issued securities for the first time.<sup>10</sup> By 2013, Asia's major central banks had, on average, more than a quarter of their foreign exchange portfolios in euro-denominated assets.<sup>11</sup>

With Europe so clearly weakened, the crisis was also seen as a chance for China to prove itself as a responsible stakeholder in global affairs, ready to take into account systemic dangers, and not merely its own immediate gain.<sup>12</sup> Chen Zhimin, director of the international politics department at the School of International Relations and Public Affairs in Shanghai, insists that the gravity of the crisis was sufficient to make China less conflictive and more cooperative, mindful of the impact on its own interests. While figures are contested, one economist estimates that China went from holding 26 percent of its reserves in euros in 2010 to 30 percent in 2013.<sup>13</sup> China did not release official figures but was thought to have bought around 1 trillion in euro-denominated assets.<sup>14</sup>

There are signs that the injection of momentum into economic relations between 2011 and 2013 may be flagging. Although trade links continue to deepen, new policy developments are not quite so evident, as the euro crisis has moved (hopefully) beyond its most acute stage and growth in Asia itself has slowed somewhat.

While overall trade between Europe and Asia has increased, its rate of growth in 2014 slowed from 2013. Most of the trade talks that were launched during the crisis have failed to make any decisive breakthroughs. Both the European and Asian sides have declined to invest sufficient political will or to make the concessions necessary to closing these agreements within a reasonable time period. As of late 2014, the EU's talks with India, Japan, Taiwan, Vietnam, Malaysia, the Philippines, and Indonesia were all languishing in a state of relative atrophy (although there are hopes that those with Vietnam and Japan may have the potential to advance soon). Policymakers acknowledge that the prospect of a trade agreement with Indonesia in particular is still a relatively distant one. New trade commitments made at the November 2014 APEC forum throw the lack of movement in many EU negotiations into sharper relief.

If the eurozone crisis encouraged at least a modicum of flexibility between the EU and China, a harder edge has returned to commercial relations. In 2013, the European Commission, the EU's executive body, threatened legal action against China for alleged trade distortions in the solar panels and telecommunications sectors, using this as leverage to seek negotiated accords with Beijing. In October 2014, this appeared to pay off when the EU reached a deal with China on telecommunications, based on the latter reducing export credits

to its companies and the union dropping its proceedings at the World Trade Organization (WTO).

As one means of facilitating deeper economic integration, there remains much talk of upgrading region-to-region measures through ASEM. The standard refrain speaks of ASEM unlocking qualitatively new, networked forms of economic cooperation, beyond the traditional trade and investment agenda. China and Singapore raised the possibility of an ASEM free trade agreement, but there was little enthusiasm for discussing it seriously among other members. Some Asian states have been keen on creating a permanent ASEM secretariat, but most EU member states do not see value in that proposal.

There have been some advances. Mobility is increasing under the EU's new Erasmus+ education and training program, which will provide opportunities for some 4 million Europeans to study and volunteer abroad. The EU is also discussing visa facilitation. And business and civil society forums are now held alongside the formal ASEM summit.

However, one expert makes a sober assessment. Yeo Lay Hwee, director of the EU Center in Singapore, points out that with 51 members—nearly double its original 26 states—the unwieldy ASEM body needs a far deeper revamp if it is to survive in a crowded marketplace of international forums. At present it neither has logic as a high-politics forum of strategic relevance nor is geared toward concrete results in select areas of policy substance.<sup>15</sup>

Related to this, the most dynamic areas of Europe-Asia relations have recently come through extended bilateral efforts on both sides, rather than on a region-to-region basis. Asian economies compete among themselves for the most favorable bilateral accords with the European Union. The far-reaching free trade agreement with South Korea has engendered pressure from other Asian countries for similar conditions in their negotiations with the union.

With EU-level agreements proceeding so slowly, European governments have increasingly prioritized their national-level commercial diplomacy strategies with individual Asian markets. Nearly all European states now have their own bilateral partnerships with China, for instance; Germany's is particularly far-reaching.

Consequently, Europe-Asia relations are today a diffuse patchwork of national, subregional, and regional initiatives that sometimes reinforce but often cut across each other. This goes beyond the obvious and unremarkable fact that EU member states tend to break ranks in pursuit of national gain—they do so everywhere in the world. The multilevel complexity of relations between Europe and Asia is of a different order to the situation that exists in other regions.

More broadly, given the Ukrainian and Islamic State crises, Asian diplomats fear that the EU's attention is being pulled away from Asia. Asian issues

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**The most dynamic areas of Europe-Asia relations have recently come through extended bilateral efforts on both sides, rather than on a region-to-region basis.**

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are once again not so clearly present at summits or council meetings. Critics lament that the EU has been drawn back into a fixation with its own neighborhood policy framework, focusing on states that are likely to be less strategically important than Asia in the long run.

An October 2014 report on the EU's foreign policy argues that the union still suffers from an "ostrich-like view of the political tensions in East and South-East Asia," its head in the sand as it denies the extent to which instability in this region could devastate European economies far more than conflicts in the Middle East and Ukraine.<sup>16</sup> Overall EU policy still requires wider constituencies within a larger number of member states who see the strategic importance of Southeast Asia and South China Sea issues, which hold the key to several aspects of international security, commercial relations, and global problem solving. And, conversely, Asian states need to look beyond their own immediate region to see the value of working with Europe on the big global challenges that affect them as much as the EU.

## A Sharpened Security Environment

Since the EU began in 2011–2012 to tentatively feel its way toward a limited engagement with security issues in Asia, the region has become notably tenser. Many observers have commented on the paradox of Asia's economic integration coexisting with its rising political nationalism and zero-sum geopolitical rivalries. In this environment, the EU's commitment to foster rules-based, cooperative approaches to security in the region struggles to gain traction. Soft security is an increasingly hard sell, as the risk of outright conflict has increased in parts of Asia.

But the EU has begun to take Asian security seriously and to explore a modest number of areas where it might make a useful contribution. One adviser to the EU's foreign policy arm, the European External Action Service (EEAS), sees the prospects in extremely upbeat terms, with the EU having the ability to shape the region's security framework, in particular through an EU-U.S.-China strategic dialogue.<sup>17</sup>

In 2012 the EU upgraded its East Asia policy guidelines to emphasize geopolitical and security questions.<sup>18</sup> The same year, Ashton for the first time attended the ASEAN Regional Forum, the group's main security dialogue. In mid-2012, Ashton and then U.S. secretary of state Hillary Clinton signed a joint statement promising transatlantic dialogue on Asian security and committing to cooperation on maritime security in particular. In June 2013, Ashton for the first time attended the Shangri-La Dialogue, an annual Asia-Pacific security forum, and said the EU was committed to being a security partner for the region, with a "unique comprehensive approach" and an interest "not in projecting power but in empowering."<sup>19</sup>

The EU has moved further to upgrade existing, low-profile programs on border management, maritime patrols, and training in preventive diplomacy with Japan and ASEAN.<sup>20</sup> Several Asian and European countries are working together in the EU-led Atalanta counterpiracy operation in the western Indian Ocean. A first-ever EU-ASEAN high-level dialogue on maritime security was organized in Jakarta in November 2013. New dialogues have also begun across the region on climate security, disaster management, trafficking, and cybersecurity. Diplomats report that the role of the EEAS in Asia policy has strengthened relative to that of the commission's Directorate General for Trade, providing a more geopolitical tone. The European Commission has promised to mold its aid profile in Asia more tightly to the EU's strategic turn to the region, such as by funding more interregional dialogues.<sup>21</sup> Member states have also signed a plethora of bilateral strategic partnerships with Asian powers, committing to a more political level of cooperation.

For its part, the EU-China strategic dialogue has become a layered set of consultations among diplomats, security personnel, country special representatives, regional ambassadors, and conflict management units. The two sides have made efforts to explore the possibility of coordinating positions on North Korea, Africa, piracy, and other issues. The chairman of the EU Military Committee travelled to Beijing in October 2014 to hold the first of a more formalized EU-China Dialogue on Security and Defense—part of the EU-China 2020 Strategic Agenda for Cooperation agreed to in 2013.

South Korea in particular seeks a broader partnership with the EU, as it feels squeezed between China, Japan, and the United States. Diplomats in Seoul stress the importance of new and more practical cooperation on human rights, climate change, development policy, the Middle East, and crisis management. South Korea has come to see European engagement with Pyongyang as offering a useful conduit; as the administration of South Korean President Park Geun-hye has tilted more toward engagement with North Korea, diplomats in Seoul report that their cooperation with the EU on this issue has been revived.

In formal EU proposals, the notion of a Europe-Asia global partnership has also gained much currency. Immediately prior to the Milan ASEM summit, one of the EEAS's most senior diplomats stressed that the EU "needs strong commitment from influential Asian partners to tackle global challenges such as climate change and environmental sustainability, the fight against poverty, terrorism, nonproliferation, illegal migration and human trafficking."<sup>22</sup> It remains unclear, however, what tangible results can be expected to flow from all these new dialogues and initiatives. European diplomats acknowledge that the EU's core post-2012 leitmotif in Asia of "beyond trade, beyond China" has so far materialized only in limited form.

The EU's new high representative, Federica Mogherini, recognized the challenge at her October 2014 inaugural hearing in the European Parliament: she noted that while Europe is now convinced of Asia's strategic importance, Asian



countries are not fully convinced that Europe matters to them strategically—a reversal of the imbalance that existed for many years. The huge number of European ministerial visits to Asia now contrasts with the relatively limited number of senior Asian ministers coming the other way into Brussels and other European capitals—another inversion of the previous norm.<sup>23</sup>

More than two years on from the Ashton-Clinton statement, substantive results of cooperation between the EU and the United States in Asia are not evident—only a series of meetings between the larger member states and U.S. officials. Indeed, U.S. interest in cooperation with the EU in Asia appears to have diminished. And there has still been no high-level strategic discussion to define a clear European line on the rebalancing to Asia announced by the U.S. administration in 2012.

## Soft Security and Its Limits

The only de facto choice available collectively to the EU is to focus on soft security in Asia. European diplomats are clear that the EU cannot be a hard power in the region and that it can only add a nontraditional security perspective. But even this approach carries with it problems and limitations, including what Asian diplomats say is the EU's frequent unwillingness to be tough on China.

A soft security role would mark a distinctive contribution in a region already replete with hard realpolitik, and it offers something different from the U.S. presence and security guarantees in the region. If the U.S. pivot is widely perceived to be aimed at containing China, the EU argues that Asian security depends on all-inclusive mechanisms of integration and cooperative rule making. European Union officials distinguish the European and U.S. approaches to Asian security thus: “The U.S. will be an Asian power. We will be an Asian partner.”<sup>24</sup>

However, while nontraditional security is now formally on the agenda for many Asian powers, in practice it is the subject of much resistance. There are relatively basic differences over what the concept means. Many Asian diplomats are sympathetic but consider the EU understanding of the term to be too soft and see nontraditional threats of marginal importance compared to the overriding China-U.S. competition for strategic dominance. They see security primarily as a matter of geopolitical balancing rather than relying on nontraditional approaches—although how far all Asian states actually follow this logic through (especially with China) is not always clear.

Parenthetically it might be noted that the EU's own record on soft security is far from stellar at present, in light of increasingly exclusionary migration policies, a relative lack of action on the geostrategic dimensions of climate change, and now popular anger over inchoate reactions to the Ebola pandemic. European development aid budgets have been dramatically cut back; the EU (the commission plus member states) remains Asia's largest aid donor but its claim to be advancing a development-oriented concept of security is not as

strong as it used to be. With thousands of migrants dying in the Mediterranean and xenophobic parties on the rise across Europe, one wonders what lessons the EU currently has to impart on progressive, far-sighted approaches to migration. The restriction of civil rights in recent counterterrorist provisions in some member states also raises questions about the EU's claim to have a nontraditional model of counterterrorism to share with Asia.

Meanwhile, China has effectively prevented outside involvement aimed at cooperative security in the region. Beijing sees its strategic dialogue with the EU as a vehicle for influencing European positions on issues such as Syria or Iran, not for encouraging the union's involvement in Asian security. Even the new EU-China High-Level People-to-People Dialogue—the softest of soft approaches—has progressed slowly, addressing very uncontroversial topics and not remaining entirely free of the involvement of authorities.<sup>25</sup>

Singapore and to a lesser extent other states are wary of allowing the EU into the East Asia Summit, the annual meeting of regional leaders that in recent years has also included the United States and Russia. Singapore fears that the EU's weight would tilt the balance against ASEAN leadership of the forum and that the union may side with the United States too confrontationally against China. The EU justifiably feels its contribution and footprint in the region are far greater than Russia's. (Nordic member states, somewhat incongruously, have now allowed Singapore into the Arctic Council.)

Such imbalances bring forth suggestions from some European diplomats based in the region that the EU needs to learn how to do tit-for-tat bargaining in Asia rather than offer benefits devoid of political quid pro quos. The EU has for some time confronted unwillingness in Asia to contemplate nonrealist concepts of security.<sup>26</sup> Notwithstanding a number of modest crisis management and mediation initiatives in Southeast Asia, perceptions remain in the region that the EU is chiefly a developmental humanitarian and not a security actor.<sup>27</sup>

The EU has begun to engage in maritime surveillance and to be more outspoken on the need for legal rules in this area to be respected (that is, by China). But while the EU says it wants maritime disputes to be resolved through the rule of law, it has little in the way of concrete instruments to back up this call. The union has been cooperating with ASEAN to help develop a code of conduct, as a means to constrict Chinese behavior. However, caution still prevails. The EU says it is impartial and fair in all maritime disputes in the region. But most states see it as far too soft on China. It talks about the primacy of rules, but when China threatens existing rules, it keeps silent in order—Asians feel—not to put trade at risk.

Notably, when tensions snowballed between China and Japan in 2013 over the disputed Diaoyu/Senkaku Islands in the East China Sea, the EU remained unengaged. Insiders reveal that one of the main reasons for EU passivity was pressure from China not to get involved. Representatives of other Asian states in private express disappointment with the union's apparent willingness to

sit on the sidelines. They complain that the EU has not maximized what it could be contributing in rules-based mediation to complement the U.S. role.<sup>28</sup> With several arbitration cases on territorial claims due in 2015, the EU still needs to decide whether it will unequivocally support rulings against China.<sup>29</sup> European policymakers argue that these Asian criticisms are somewhat inconsistent, as the EU has been willing to take a tougher line on China's actions than most Asian states.

The EU and Japan signed a strategic dialogue on security in 2005, which led to some joint border monitoring and counterpiracy operations. But that has self-evidently not prevented the emergence of a more abrasive Japanese foreign policy that many in the region fear risks stirring instability and tension. The EU has walked an increasingly thin line, concerned at Japanese policy trends but still seeing Japan as a balancing bulwark against Chinese claims and actions. Conflagrations over the islands reveal the need for cooperative security rules but also the narrowing space for traditional EU approaches based on impartial rules and equidistant positioning between adversaries.

It remains unclear what the EU would do in the event of more serious tensions in the Taiwan Strait. Taiwan officials in Taipei feel that the EU is stalling on finalizing a new economic and cooperation agreement because of pressure from China. They stress that the current government's relatively cooperative relationship with mainland China has led the EU to underestimate the risk of tensions returning and to insufficiently heed Taiwan's call for international political support.

It is also not clear that Asian countries are fully signed on to the EU's notion of global partnership. Indeed, for Asian countries, a balanced form of global partnership needs to comprise not simply their support for EU concerns but European willingness to recognize Asia's increased global weight. Asian powers pressed for a change in voting weights in international bodies as a quid pro quo to their support in the euro crisis. They still charge European powers with holding on to their own overrepresentation in global bodies to the detriment of Asia's broader geopolitical role.

In one example of limited convergence, while summits and official meetings without fail refer to the shared challenge of climate change, European and Asian policies on the issue remain divergent in key aspects. Climate is said to be an exemplar of nontraditional threats, and yet the EU-ASEAN dialogue on climate change does not appear to be moving into a phase of producing any tangible results.

Furthermore, most Asian states were ambivalent in confronting Russia on its annexation of Crimea in March 2014. They have seen the Ukraine conflict more as a Europe-Russia dispute than as a case of one state menacing the core rules of an international order that affects Asia, too. Singapore was critical and Japan has imposed sanctions on Russia, but most Asian powers remain

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**The EU-ASEAN dialogue on climate change does not appear to be moving into a phase of producing any tangible results.**

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circumspect. Many in the region harbor some sympathy with Russia's challenge to what they consider to be Western-made rules, even if in private Asian diplomats admit to a profound unease over the Crimea episode.

The Ukraine crisis also poses a problem for ASEM, which has counted Russia as a member since 2010. The group cannot realistically lay claim to any kind of shared values or meaningful strategic partnership—at least while Russia continues to foment deadly violence in eastern Ukraine and overtly challenge the norms of the EU's Eastern Partnership. Asian powers are unlikely to join with EU states to use the ASEM umbrella to pressure Russia on its disregard for global norms.

There is another factor that makes talk of soft and rules-based security an uneasy fit in Asia: the huge increases in European arms sales to the region—including to the formally embargoed Chinese market. Many member states explicitly prioritize Asian markets for increased arms sales. Britain and France also offer accompanying training to the Chinese military. This relates to the broader point that critics charge European governments with adhering in practice to a very statist notion of security, despite their frequent discussion of nontraditional, soft, and human security.

It is also striking that the EU's narrative on Asian security is all about interstate tensions; this contrasts with its focus in other regions on security threats emanating from instability within states. Such internal instability is commonly the result of bad governance. Notwithstanding useful initiatives in Myanmar and the Indonesian province of Aceh, Asia is the region where EU human rights and democracy support is most circumscribed. In short, the EU makes little link between security and democracy in Asia.

Much is said and written about the EU's diminished attention to human rights in China. But the pattern is wider. The EU has gradually accepted the Asian preference for noninterference more than Asian states have converged on the European support for democratic values.

The EU has opened trade talks with Vietnam without any focus on democratic reforms. Vietnam has benefited from sizable gains in EU aid and has become the largest recipient of European development assistance in the region—without any political reform. Indeed, as its regulatory governance has strengthened, so the EU has channeled the largest share of its aid directly into the Vietnamese government's state budget. This increased support has been spurred by the country's economic performance, which allows it to compete against China in low-cost production.<sup>30</sup>

ASEM oversees a long-running human rights dialogue that takes places outside its formal framework, due to Asian sensitivities. This has gathered some momentum, although it sticks to discussing generic issues and cannot tackle

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**The EU makes little link between security and democracy in Asia.**

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specific human rights concerns in any particular country. The EU's human rights dialogues in the region are rather formalistic and devoid of tangible results.

## The ASEAN Opportunity

It has become something of a ritually noted observation in Europe-Asia forums and debates that relations with ASEAN offer one of the most promising areas for improvement and strategic gain. And indeed, if the EU is to fulfill its stated aim of broadening its Asia policy beyond China, its relationship with ASEAN will be critical.<sup>31</sup>

This generally understated part of EU-Asia relations received a notable upgrade in 2012. Yet, once again, the degree to which the EU will in fact follow through remains unclear. A common ASEAN view is that the EU has become overly anxious about China's rise and consequently still neglects to engage systematically with the rise of other Asian powers.<sup>32</sup>

ASEAN is due to complete an economic community in 2015, potentially unlocking one of the most important opportunities for EU cooperation in Asia. But political problems in Myanmar, Thailand, and even Indonesia are also raising new challenges for the relationship with ASEAN.

In April 2012, the EU and ASEAN agreed to an action plan to deepen cooperation. Catherine Ashton led the largest-ever delegation of EU officials to an EU-ASEAN ministerial dialogue, which promised deeper institutional ties on everything from counterterrorism to trade. The EU

acceded to the ASEAN Treaty of Amity and Cooperation, which opens the possibility of being included in the East Asia Summit. A July 2014 EU-ASEAN meeting in Brussels made a series of further commitments. The EU will now appoint an ambassador to ASEAN and grant the association the status of strategic partner.

The EU released a new tranche of money to support ASEAN regional integration in 2012. The EU has recently funded new initiatives on standards harmonization, technical trade advice, and capacity building for the ASEAN secretariat. The EU will double its institution-building support to ASEAN, to 170 million euros (\$213 million) for 2014–2020. In this period, commission aid to Southeast Asia will be close to 3 billion euros (\$3.8 billion), compared to 2.2 billion euros (\$2.8 billion) for the previous budget period.

However, the recent record is mixed. Officials lament that the 2012 EU-ASEAN action plan contained a raft of detailed commitments whose follow-through is proving slow. One reason is the need for ASEAN to develop smoother internal decisionmaking processes.

The EU is the biggest investor in the ASEAN countries but amounts are still relatively limited in proportionate terms. The region receives only around

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2 percent of EU outward investment. The EU still does more trade with Switzerland than with the countries of ASEAN, which represent a market of over 620 million people. While the commission's aid increases are welcome, per capita amounts are extremely limited compared to its aid flows to middle-income Mediterranean and Eastern European states. Moreover, the rise in commission aid contrasts with a decrease in most member states' aid allocations to Asia.

The EU is waiting to see if the ASEAN Economic Community is indeed formed at the end of 2015. This potential game changer would bring with it the prospect of an EU-ASEAN free trade agreement (talks for which were aborted in 2009) and more political links. But diplomats in the region caution that the proposed single market is likely to be implemented only very gradually and in a soft sense, so it may not be quite the fillip that some predict. Moreover, it will continue to be intergovernmental and thus rely on mutual recognition of rules and standards rather than on EU-style supranationalism.

Recent trends are also raising more difficult challenges for bilateral relations with several ASEAN member nations; these risk complicating the EU-ASEAN regional relationship.

In Myanmar, ahead of presidential elections in 2015, the regime-led reform process appears to have stalled on several key issues, such as ethnic minority rights and far-reaching constitutional reform. At present, diplomats judge that the army is unlikely to allow opposition leader Aung San Suu Kyi to run in the elections.

The EU has made a meaningful contribution to Myanmar's political opening, incrementally removing sanctions and providing funds to support the country's human rights commission; administrative, judicial, and police reforms; training on citizenship rights; and the new Myanmar Peace Center, to encourage dialogue among ethnic groups.<sup>33</sup> The EU has also created a task force to coordinate and mobilize further resources.

The director of the peace center welcomes the fact that the EU is now the initiative's most generous supporter. But, in conversation, he calls for a major strengthening of EU and other external support to help preserve the precarious reform process, get all ethnic groups signed up to a lasting ceasefire, and develop sustainable mediation mechanisms. The EU has been slow in beefing up its delegation in Myanmar. Broader cooperation in the country should be possible, for instance with Singapore, which is now providing legal training programs.

Thailand's military coup in May 2014 led the EU to freeze trade talks with the country. The EU is pressing the ruling National Council for Peace and Order to comply with its three-stage roadmap for a return to democracy. The possibly imminent succession may unleash instability, and it is not clear how the EU and other ASEAN states will react if the military shows signs of clinging to power. Even if a constitutional process is reinstated, events in 2014

reveal that Thailand needs serious and deep institutional reform if it is to avoid periodic relapse into political instability and military takeover.

In Cambodia, there was an extended period of tension as the opposition contested Prime Minister Hun Sen's 2013 election victory. While this was resolved, the country's lack of democratic reform is the subject of increasingly fractious internal debate. Hun Sen has been an authoritarian ally to China in pushing back efforts to strengthen maritime security norms. The EU declined to remove trade preferences in response to these recent troubles, but it is beginning to slow down its engagement with Cambodia.

So far, the EU-ASEAN partnership on democracy and fundamental rights remains thin on substance. The EU has made a 3 million euro (\$3.8 million) loan facility available to help the ASEAN Intergovernmental Commission on Human Rights. But beyond this invaluable contribution, European human rights and democracy funding within Southeast Asian states is more limited than in many other regions. The EU-ASEAN conclusions from July 2014 talk of good governance but not democracy.

As ASEAN moves toward economic union, it may look to deeper cooperation and knowledge-sharing with the European Union. However, while the EU can offer useful lessons in regional integration, the economic crisis has further reinforced ASEAN governments' skepticism over Europe's highly institutionalized model of cooperation. It is for strategic support, rather, that ASEAN looks to European powers. Its diplomats argue that China, India, and Japan are big enough to look out for themselves, whereas smaller and medium-sized states have greater need of deep international alliances.

## Maintaining the Momentum

The EU moved up a gear in its relations with Asian countries due to the economic crisis; now many European governments are again slipping back into according them only secondary importance. Of course, the official rhetoric on both sides is that relations remain a priority and that there is no loss of momentum. But there is a subtle change in texture and a certain loss of urgency. Fraser Cameron, director of the EU-Asia Center in Brussels, puts it thus: while the EU has deepened its commitments to a range of new dialogues on a whole array of subjects and at multiple bilateral, subregional, and regional levels in Asia, it is holding back from taking the next step to ensure that these produce real impact.<sup>34</sup>

Some experts argue that the EU is right to focus on its own neighborhood and not overreach by seeking to be any kind of foreign policy player in Asia. They assert that it is only in its immediate neighborhood that the EU has fundamental interests at stake and that its liberal-cooperative approach to security has any relevance.<sup>35</sup>

And it might be reasonable to conclude that EU-Asia relations are largely a nonstory. The EU has now reacted to Asia's rise and raised its policy commitments to the appropriate level. Relations are deepening gradually, if unspectacularly; there are no dramatic, first-order tragedies to confront as with Ukraine or the Middle East. It is well known that form trumps substance in Europe-Asia relations; yet insofar as form and tone matter in constructing trust with Asian governments, this might not be such a grave deficiency. By definition, not every region can be a priority for EU foreign policy; and perhaps Asia just does not need to be.

Such a call for temperate measures carries much wisdom. The EU should resolutely avoid overselling its potential in a region that understandably remains sensitive about the effects of European power. Its aims and pretensions should be grounded and modest. Lessons should be learned from the EU's harmful impact on other regions where it has promised more than it can deliver. And it is understandable that after its apparent rediscovery of Asia in 2011–2013, the EU's attention in 2014 focused on the crises in Ukraine and Iraq-Syria, the change of leadership in the union's own institutions, and a second phase of governance reforms relating to the long and difficult recovery from the euro crisis.

Notwithstanding all this, however, the EU would be seriously remiss in letting the incipient momentum in EU-Asia relations subside. The European Union took a long time to get serious about Asia's rise and start putting in place policy commitments that accord the region its due weight. While there are indeed significant challenges to keeping that momentum going, it would constitute seriously bad strategic judgment if the EU were now to relapse into leaving these new initiatives to languish on relatively ineffectual autopilot.

Instead, the EU should make improvements to its current policies. These are not specific policy recommendations, but rather relate to the general structural factors that are likely to condition Europe-Asia relations in the long term. The next phase of the relationship must center on the stability and robustness of institutional rules and process, at various levels:

## **Trade**

Beyond the need to conclude outstanding trade agreements, more rules-based liberalization will be required as part of the next stage in Europe-Asia relations. The EU and Asia should coordinate their efforts to harmonize the large number of bilateral trade deals that are now operating or under negotiation.

A move back to EU-ASEAN trade talks (if and when the economic community moves forward) could be a catalyst for this—both in terms of tying together the union's various bilateral efforts in Southeast Asia and in promoting ASEAN as a platform for harmonizing rules across Asia. Asian governments express concern that there has been such a profusion of trade deals—purely internal to the region and involving various combinations of external actors, too—that coordination is needed to make sure this does not become a source of interstate wrangling.



Probably the most significant contribution the EU could make to Asian security dynamics would be to help promote regional economic integration in a way that dampens political tensions—rather than to offer economic relations of a nature that intensifies political rivalries. For Asian states, diversification of trade away from China remains a long-term strategic priority.

While Chinese trade practices are generally considered to be the most important of all issues for the EU in Asia, in this and other cases the long-term challenge is not simply market access but the development of legitimate rules. The EU needs to get back to addressing trade issues with China through WTO dispute mechanisms and reverse the recent trend toward politically negotiated tit-for-tat bargaining.<sup>36</sup> Talks on an investment treaty offer the prospect of reducing some of China's myriad obstacles to access that face European companies.

In return, China insists that a reversal of new market restrictions in several EU member states is a prerequisite to engaging in serious talks; European governments will need to clarify their own rules on economic security, which are increasingly used to define some strategic sectors as off-limits to Chinese and other investors.<sup>37</sup> More credible rules might allow the EU-China High Level Economic and Trade Dialogue to resume and facilitate more productive discussion on a wider range of challenges, such as revisions to both the Chinese and European growth models.

### Unity, Not Bilateralism

At present Europe-Asia relations unfold in ways that favor bilateralism and sharpen competition between powers within each region. Recent notable developments have not been those at a region-to-region level. In some sense this is a source of dynamism. However, this pattern risks self-interested geostrategy and mercantilism becoming too dominant relative to rules-based trade liberalization and security, which would benefit both regions on a more predictable and sustainable basis.

For example, member states' competitive rush for Chinese investment through bilateral incentives cuts across their own strictures on the need for transparency in sovereign wealth funds.<sup>38</sup> While a degree of national competition is natural and unavoidable, the EU needs to set limits. The union has sought to do something along these lines in the energy sphere, where the commission now reviews bilateral deals for their consistency with overarching EU strategic goals.

This is not to make a utopian call for the end of bilateralism. There is no prospect of that happening. Rather, the structure of future Europe-Asia relations must be made multilevel in a more coherent and rationalized fashion. They require a balance of flexibility and regional cogency. In certain policy areas, practically oriented “minilateral” clusters, involving the smallest number

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of countries necessary, are likely to be appropriate. Many in the EU have talked of minilateralism as an essential component of future European foreign policy. Policies toward Asia are an area where this would be especially pertinent—particularly regarding the issue of security, a realm where such balance can be put to the test.

## Security

A modest European soft security role in Asia is achievable and desirable. The EU should pay greater heed to Asian states that want European help to boost international rules as a means of influencing Chinese behavior; yet it should also avoid collusive bandwagoning against China. The challenge is to achieve such a finely balanced position.

Upgrading ASEAN to a strategic partner was the subject of much pressure and much diplomatic maneuvering—and policymakers in both Europe and Asia accord the move great significance. But this entirely positive step forward should not mask the fact that all of the EU’s strategic partnerships remain somewhat void of substance. Simply giving ASEAN such a formal status does not in itself achieve anything tangible. Likewise, participating in a dialogue on maritime security is a welcome advance but hardly constitutes a security strategy. The EU is beginning to consider more operational assistance to ASEAN, for surveillance and port security, but this needs to be accelerated and significantly enhanced. The EU and Asia should prioritize concrete issues of cooperation at this kind of subregional level, to embed minilateral practices that can then be extended to a regional level.

Longtime ASEM participants insist that today there is more commingling between different combinations of Asian and European states and less of an “us-and-them” feel to meetings. But this trend needs to extend much further. Both sides have talked about their global partnership on politico-security issues, yet in practice the EU-Asia relationship is still not a joint or balanced one. While the EU pressed its way into the ASEAN Regional Forum, and now chairs a session there, one wonders whether the union would invite ASEAN to participate in or chair its discussions on the eurozone crisis, Ukraine, or the Southern Mediterranean.

With current international crises menacing the very concept of a global rule of law, this should be a time for clearer, two-way cooperation. Singapore certainly should be a partner in strengthening international law, as it depends so much on legal rules. But Asian diplomats commonly berate the EU for not abiding fully by the principles of the liberal order it encourages others to follow—while European governments complain that Asian countries are still unwilling to step up and help resolve global problems. Both sides will need flexibility and a greater willingness to recognize the limitations of their respective stances toward global governance.

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Ensuring consistency between the economic and security spheres remains a key challenge, both for EU policy and for Europe-Asia cooperation. Since 2012, the EU has ostensibly been committed to ensuring that the commercial and geostrategic parts of its policies in Asia are better connected. There is so far little evidence that they are. For example, while China prioritizes bilateral links with Germany for highly geopolitical reasons, Germany lacks a strategic approach to China that is informed by its export drive in the country.<sup>39</sup> As the new EU high representative now has more power to coordinate foreign and trade policy making in Brussels, a clear mapping and systematic analysis should be prepared of how the economic and security dimensions undercut or reinforce each other.

### Human Rights and Democracy

For some time, the issues of human rights and democracy have not been prominent in Europe-Asia relations. The EU's own commitment to these values within its foreign policies has been far more selective than many Asians perceive to be the case; and today the EU suffers many human rights deficiencies within its own borders. Asian governments have been powerful and buoyant enough to push back against what Europeans refer to as their values agenda.

However, current trends in both regions suggest that rights issues cannot be ignored over the longer term—however strong the case for *realpolitik*. Pressures for more accountable governance are accumulating in many Asian states. The protests in Hong Kong, the emergence of a democracy protest movement in Taiwan, and events in Thailand all show that Asia is not immune from the kind of civic empowerment witnessed in other regions. Both Asian and European governments are struggling to keep pace with the eruption of new social movements and what they mean for political representation and legitimacy. For many years analysts bemoaned the fact that the EU was seriously behind the

times, still lecturing Asian governments on human rights. But the argument that political issues should be downgraded now looks rather out of date itself—not because of what is happening at the international governmental level but because of social trends within Asia.

If and when Asian governments step forward to assume greater global responsibility, commensurate with their economic success, they may see that what happens within states cannot be divorced from what happens between them. This is the ground upon which a more meaningful joint narrative of soft, nontraditional, or human security can be developed. The EU needs to begin looking more seriously at intrastate drivers of instability and not only think of Asian security as a matter of interstate challenges.

One notable change that could be instructive is Indonesia's emergence as a prominent actor in international democracy and human rights support.

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European governments are beginning to realize the scope for joint initiatives. The Dutch and Norwegian governments, together with the EU delegation, are the main funders of Indonesia's influential Institute for Peace and Democracy, the body under whose rubric the Bali Democracy Forum is run. The institute focuses mainly on training in human rights, election monitoring, and peace mediation, but it is also beginning to move into more sensitive areas of democracy support. Indonesia is pushing for the ASEAN human rights commission to go beyond awareness raising to undertake peer-review assessments of rights issues. These steps are still limited and incipient, but they should be given far greater encouragement and support—not least as an antidote to the idea that Asians do not care about democracy, while Europeans have the unique claim to good human rights performance.

### **Conclusion**

The common thread of these proposals is the need to entrench more institutionalized patterns of rules and norms in EU-Asia relations. While progress has been made, policy output is still subject to the vagaries of shifting political outlooks in both regions. Policies are still too oriented toward short-term gain rather than to the structural conditions of long-term success. The overarching need is to embed approaches that give greater solidity to the way the EU-Asia partnership can help advance economic, political, and international rules and norms—that is, the kinds of structures necessary to sustaining the two regions' stability, security, and growth. It is at this as yet untackled level that the strongest case can be made for maintaining the momentum in the EU-Asia rapprochement.



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