

Kerry Brown, Heungchong Kim, Françoise Nicolas, Michael Reiterer,  
Michito Tsuroka, Lay Hwee Yeo, Hong Zhou

# The Asian-European Agenda

Ideas for Crisis Prevention and Effective Cooperation

Europe in Dialogue 2012 | 04



## Europe in Dialogue

Europeans can be proud as they look back on fifty years of peaceful integration. Nowadays many people worldwide see the European Union as a model of how states and their citizens can work together in peace and freedom. However, this achievement does not automatically mean that the EU has the ability to deal with the problems of the future in a rapidly changing world. The European Union must continue developing its unity in diversity dynamically, be it with regard to energy issues, the euro, climate change or new types of conflict. Indeed, self-assertion and solidarity are key to the debates shaping our future.

“Europe in Dialogue” wishes to make a contribution to these open debates. The analyses in this series subject political concepts, processes and institutions to critical scrutiny and suggest ways of reforming internal and external European policymaking so that it is fit for the future. However, “Europe in Dialogue” is not merely trying to encourage an intra-European debate and makes a point of including authors from non-EU states. Looking at an issue from different angle or from afar creates a shift in perspective which, in turn, renders Europe’s development more meaningful as it engages in critical dialogue with other societies.

The Asian-European Agenda  
Ideas for Crisis Prevention and Effective Cooperation



*Kerry Brown, Heungchong Kim, Françoise Nicolas,  
Michael Reiterer, Michito Tsuoroka, Lay Hwee Yeo,  
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## Introduction

**Malte Boecker and Helmut Hauschild**

With this edition of *Europe in Dialogue*, the Bertelsmann Stiftung has invited reputable political thinkers from both Asia and Europe to address the challenges and opportunities within Asian - European relations. This edition also marks the launch of a new program at the Bertelsmann Stiftung dedicated to fostering a deeper understanding of Asia while facilitating better-informed German and European policies regarding Asia.

Asian - European relations are key not only to creating flourishing societies in both regions but in contributing as well to a more stable world order and prosperous global economy. Economic relations between Asia and Europe have developed substantially in the past decade or two and are sure to gain further traction in decades to come. In recognition of today's high degree of interdependencies, joint efforts to prevent a downward economic spiral and to foster closer political cooperation have played high on the agenda since the financial crisis seriously hit Western economies. However, it is often argued that the Eurasian relationship remains the weakest link among the world's major power centers; there is a sense that the partnership has not reached its full potential. Economic and trade agendas have dominated bilateral relations at the expense of a broader political dialogue.

The gradual loss of importance of the annual Asia-Europe Summit Meetings (ASEM), which were initiated in 1994, shows a kind of discontent between the two continents. Parallel to the growing fatigue with the multilateral ASEM-process, the EU has launched a significant number of comprehensive bilateral Free Trade Agreements (FTA) with Asian countries. It seems as if the EU today expects to gain far more from a bilateral approach than it would from the slow and rather complicated multilateral ASEM dialogue. Not without irony, the United States, hardly a promoter of effective multilateralism, is at the same time pushing for the enlargement of a multilateral Transatlantic Partnership.

It is high time for Asia and Europe to re-examine their relationship. What is the current state of Asian-European relations? What strategy vis-à-vis Asia should the EU follow in future? What will Asia's interests relative to Europe be? And what do Europeans and Asians expect from their respective partners in regards to bilateral and global governance issues?

The authors of this book identify five recurring themes as playing a decisive role for Asian-European relations: acknowledging the new interdependence, increasing European soft power and redefining its scope, devising a future for ASEM, striking the right balance between bilateral and multilateral engagement and, last but not least, defining specific areas of Asian-European cooperation within the global agenda.

Beginning with the new interdependence, all authors agree that we in the early 21st century are witnessing a massive and increasingly rapid shift in economic and political power from the United States and Europe toward Asia, in particular China and, so far to a lesser extent, India. Due to this evident shift eastward, Europe is increasingly perceived by Asians as an area in decline, writes Lay Hwee Yeo. Kerry Brown, Françoise Nicolas and Michael Reiterer clearly articulate that the inevitability of both an economic and political shift of power and wealth to the east has grown in strength since the global financial crisis in 2008. Since Asian countries are coping much better with the financial, economic and sovereign debt crises, they are now perceived to be an important potential contributor to European stability and prosperity. At the same time, Asians are following the euro and sovereign debt crises in Europe with great concern, as they find it difficult to sustain their economic growth in the absence of Europe's recovery. As the mutual acknowledgment of the new interdependence grows, so too does the importance of asymmetries and complementarities within the Asian-European partnership. This is a relatively new phenomenon, yielding perceptions that provide a new framework for any Asian-European cooperation.

As a result, the legitimacy of Europe as a normative power is being challenged. On a realistic note, Françoise Nicolas acknowledges that Western economies can no longer hope to impose their way of thinking and unilaterally set the rules of the game. According to Lay Hwee Yeo, Europe's self-perception as a normative power does not resonate within Asia. Heungchong Kim adds that for several Asian countries, Europe's "universal values" remain

not so universal and alludes *inter alia* to the “Beijing Consensus,” which refers to the authoritarian economic development model promoted by China as an alternative to the Washington Consensus of non-authoritarian free-market policies promoted by the IMF and the U.S. Treasury. Kim highlights the fact that the Beijing Consensus is looked upon more favorably by a number of Asian countries.

Whereas all authors agree that dialogue and the process of engagement between Asia and Europe must be conducted among equals, differing views persist among the authors on how Europe should address the shifts in power underway. Lay Hwee Yeo calls upon Europeans to be “more forthcoming about their own interests (rather than hiding behind norms and values),” and Michael Reiterer supports the traditional Asian claim that a patronizing tone on human rights issues does more harm than good. Emphasizing the widespread acceptance of many ideas advocated for by the EU in recent decades, Kerry Brown, on the contrary, argues that the EU and the United States, together, need to continue promoting economic values, principles of governance and administration, regardless the current problems with European dominance: “The great challenge for the EU is to see this West to East shift as providing economic and political opportunities at a time, when the West’s core values of democracy, human rights and the rule of law – however threatened or under pressure they may be – are still considered universally applicable and worth fighting for.” Whether this induces Asian actors to abandon their relativism or reinforces their fear of being patronized remains to be seen.

When it comes to ASEM, Europe’s main multilateral channel with Asia, a critical assessment prevails. All Asian contributors believe that ASEM, as a framework tasked with promoting interregional cooperation, has not lived up to its potential. Hong Zhou, pointing to ASEM’s uniqueness among other multilateral frameworks, acknowledges that it is widely seen as a forum by which “dialogue for the sake of dialogue” or dialogue without substance takes place. According to Françoise Nicolas, the ASEM process has demonstrably failed to deliver on its promises, and global conditions have changed since its inception. Therefore, in her view, a new cooperative agenda is needed beyond ASEM. However, Michael Reiterer believes that criticizing ASEM for the lack of tangible results and output is misleading. Quite the contrary; the non-

legalistic ASEM process has played an important role in building long-term and trusted relationships. Reiterer argues that Asians in general ascribe a higher value to the process of socialization and personal relations in trust-building. Making use of these informal and immaterial benefits, the ASEM process could contribute to developing further global governance.

With regard to developing relations beyond ASEM, Hong Zhou and Michael Reiterer both present a thorough outline of the stagnant EU-ASEAN FTA, while pointing to a new series of bilateral FTAs that the European Union launched or finalized with Asian countries such as South Korea. Both authors express doubts about the overall policy, wondering if the EU can strike the right balance between its pretended commitment to effective multilateralism and its pragmatic approach of promoting bilateral strategic partnerships. Zhou questions whether the EU is only amending or deliberately shifting its multilateral policies and asks: "Can the development of bilateral FTAs run parallel to the full use of the ASEM?" In her view, the European commitment should ultimately rest upon multilateralism, which avoids conflicts by replacing vicious competition with cooperation. She fears that geopolitics would face severe changes if the EU were to lean primarily toward bilateralism in Asia. Michael Reiterer and Françoise Nicolas point in the same direction and advocate the development of bilateral initiatives as complementary mechanisms to the multilateral frameworks in place.

Finally, Europe and Asia have individual and cooperative roles in contributing to a more stable world order as well as a vibrant and inclusive world economy. Given that ASEM, as Françoise Nicolas rightfully observes, has never succeeded in coordinating or harmonizing the interests of its members so as to produce a common position in global fora such as the UN or the WTO, the need to explore how both partners might find the most appropriate means of addressing the global agenda is urgent. The problem seems to be grounded less in global governance structures than in creating the political will and devising the right agenda. In the assessment of Lay Hwee Yeo, the leading Asian economies neither have a "great desire for fundamental changes in the existing global governance structures," nor do they show willingness "to take responsibility in the G20 or other international talks."

However, engaging in global governance should be regarded as a policy of self-interest, writes Michael Reiterer, since this is the best means of enhancing

the stability and predictability of the world economic system all nations depend on. While he agrees that ASEM may not be an appropriate forum for negotiations, Reiterer suggests that ASEM may provide a framework for discussions between Europeans and Asians that lay the groundwork for negotiations elsewhere. Françoise Nicolas is very supportive of this new role for ASEM: “Pursued in this way, the Europe-Asia partnership would act as a rationalizing agenda-setting actor vis-à-vis other international institutions or groupings. Establishing this agenda-setting function for ASEM could also enhance the effectiveness of the process overall, as concrete results would most likely be achieved in the context of international organizations.”

It is with these introductory remarks that the editors hope to inspire interest among readers for the contributions presented here. We also hope that this volume of *Europe in Dialogue* will contribute to the debate on the future of Asian-European relations. The decades to come will be a period in which Europe and Asia face unparalleled opportunities and challenges as a new global landscape unfolds in which Asia figures more powerfully than ever before. Last not least, we would like to express our gratitude to all authors and to Dr. Gudrun Wacker, Senior Fellow at Stiftung Wissenschaft und Politik, Berlin, for her support and intellectual input in conceiving this volume.



## The Great Transformation: Asia's Rise in the 21st Century

Kerry Brown

Asia's rise was widely predicted, but is happening far quicker than had ever been expected. Since China's entry into the World Trade Organisation (WTO) in 2001, a combination of its own growth policies, a benevolent international environment suited to its export-driven model, and the fallout from the global recession from 2008, have meant that, in 2011, China stands as the world's second largest economy, the world's largest importer and exporter and the largest holder of foreign reserves. It has done this quicker than either its own leaders or anybody else expected. When we talk about the rise of Asia in this century and the peculiar challenges and opportunities this poses to developed countries, the issue of China sits at the center, and gives the whole notion of Asia definition. When we add the increasing dynamism of India, whatever its current weaknesses compared to China at the moment might be, we still get a formidable combination. Asian countries hold the majority of Western debt, export the majority of goods the West buys into its markets, and seek to compete more deeply for resources and energy in other parts of the world. Their demands are more pressing than those in Africa or Latin America.

The great transformation we are witnessing is simply about the migration of economic power, in a relatively short space of time – and thus far peacefully – from European and American countries to those in Asia, particularly China and India. Japan was, of course, the world's second largest economy for many years. In the 1980s and early 1990s, before the onset of its own sustained economic woes, it was regarded as a valid competitor to the United States. But Japan represented a single country's isolated campaign to engage in high-tech, modernized growth on the West's terms – as a democracy and with heavy U.S. influence. China clearly breaks all of these conventions. It is neither a democracy, nor a developed country. Its per capita GDP still puts it among the world's poorest countries. And yet, through the G20, International

Monetary Fund (IMF), U.N. Security Council and the World Bank, it sits, rightly, at the table of the world's most powerful nations.

If, as looks increasingly likely, the 21st century is to be one where the sources of economic dynamism and growth are in Asia, China sits at the heart of this. It is the economic engine of the region, holding the largest growth potential through its massive and, so far untapped, domestic consumer market. It has surpassed Japan to produce 10 percent average growth for each of the last 30 years. In its current Five-Year Program (the twelfth) running from 2011 to 2016, it sets itself a target of 7 percent growth over the next period. At the moment, there is little reason to believe that it will fail to achieve this. In the last decade, the Chinese economy has tripled in size, meaning that it now comprises nearly 10 percent of global GDP. If we compare this with the EU, we find that in the same period, and particularly since 2008, the EU share of GDP has stagnated. According to Richard Youngs, "The EU's share of world trade will soon dip below 20 per cent." In fact, he writes, "The EU accounted for over a quarter of world GDP in the mid-1990s; it will generate little more than 10 per cent by 2030. Asia's share of world output has doubled from around 15 per cent in the beginning of the 1970s to well over 30 per cent today" (Youngs 2010: 7). This underlines the fact that, for Youngs, "European dominance may be seen in retrospect as but a transient interlude."

A combination of ill fortune and lamentable political leadership in the West mean that, in 2011, the economic dominance of Asia is all the more striking. If we accept that economic performance is the key benchmark by which governments are judged, then China, India and other countries in Asia win hands down. Of course, successful statehood is more complicated than this, as indicators like the U.N. Human Development Index recognize. In terms of health, well being and a range of other areas, European countries are still far ahead. But, in the face of the energy and hunger for success in the most forward-looking Asian countries, European states' increasing lethargy is palpable. They have become even more introverted because of the ongoing crisis of the euro and the implementation of the Lisbon Treaty, which has so far failed to give coherence to EU strategic diplomatic decision-making. The inevitability of both an economic and political shift of power to the East



seems to be growing in strength. Even books like Ian Morris's *Why the West Rules, for Now*, which takes a more sanguine view than some of the more excitable predictions of Western demise, ends with the prediction that "the shift in power and wealth from West to East in the twenty first century is probably as inevitable as the shift from East to West that happened in the nineteenth century." He goes on, "The West to East shift will surely be faster than any in earlier history...." (Morris 201: 615).

It is obvious that immense measures will need to be taken in order to accommodate this shift; indeed, many of them, such as climate change and international financial systems negotiations, are already underway. The G7 and G8 exist almost as quaint irrelevancies now. The G20 has been spoken of as an arena in which the United States and the Chinese are bunched together and where their dominance is not too exposed. Even so, the great challenge for the EU is to see this West to East shift as providing economic and political opportunities at a time when the West's core values of democracy, human rights and the rule of law – however threatened or under pressure these may be – are still considered universally applicable and worth fighting for. In order to do this, EU decision-making has to become much more strategic and coherent. This means maintaining political will among the key leaders within Europe, despite the domestic travails they may face. Although support for these core values represents an ambitious hope, the speed and scale of economic and geopolitical change means that strong and unified support for this hope is growing in urgency. Talk of Asia simply taking over the world is senseless. But talk of a world drifting into greater inequality, greater division and greater political danger is all too real.

One big problem is that diversity reigns in both Asia and Europe. As economist Bill Emmott pointed out, "The commercial links that are emerging inside Asia are producing the deepest and most extensive integration that Asia has ever seen. They are bringing about the very creation of Asia. They are, in effect, creating a new continent" (Emmott 2008: 15). There is a certain amount of hubris in a Western writer making such a claim, and one that

Chinese intellectuals – like Wang Hui,<sup>1</sup> in particular – with their sharp feelings for historic Western colonialism, might categorize as a typical expression of Western universalism. Airy talk of Asian values in the 1990s led nowhere, and its chief proponent, former Singaporean Prime Minister Lee Kwan Yew, very rarely talks of it now. Even more striking is the fact that, while the Europeans have made some attempt to create an integrated quasi-political entity, the most that has been achieved in Asia is the Association of South East Asian Nations (ASEAN) – an association of ten nations that range from one-party states like Burma, to new democracies like Indonesia. Even the various iterations of the ASEAN model – ASEAN plus one, ASEAN plus three, and even ASEAN plus six – do not represent a level of integration comparable to that seen in the EU. As one commentator has noted, for Asian nations, in ASEAN at least, sovereignty is crucial, probably because most of them have very recent historic memories of either being colonized or being held in tributary relations with other powers (Reckford 1996).

Underestimating how powerful the importance of sovereignty is for Asian nations will occur at Europe's peril. The foreign policy parameters of China and India are almost wholly predicated on the assertion of national interest. Both may well have successfully integrated into the global economy over the last three decades, and both may well enter international fora for decision-making, from the UN to the IMF and World Bank. But at heart, their true beliefs lie in the solid defense of core national interests – something that Dai Bingguo, China's State Councillor and chief foreign policy official, has, in recent years, tried to articulate as “core interests.” Asian countries are keen on Free Trade Agreements (FTA), with China signing a highly significant agreement with ASEAN in 2009. But when one strays from soft economic integration to thornier political and military areas, things become far tougher.

Despite huge efforts in the last few decades, Europe remains divided by language, culture and strategic interests. In 2010, only two countries in the EU,

<sup>1</sup> For a particularly trenchant criticism of Western universalism, see Wang Hui, *The Ends of Revolution*, Verso London 2010.

Germany and the United Kingdom, had a proper China policy (Youngs 2010: 35). The rest, as made clear in a 2009 Europe Council on Foreign Relations report, either had policies which were wholly in alignment with China's interests, or almost vehemently opposed to them (Fox and Godement 2009). The EU was consequently unable to successfully negotiate issues like the EU arms embargo, market status and harder political engagement, with the country that had been its largest trading partner since the late 2000s. Within Asia, attendance at the Asia Europe Meetings (ASEM) saw a steady process of downgrading levels of attendance, and a low level of visibility despite the fact that this was a forum involving countries which accounted for over half of humanity. Europe's diversity, and the political nature of the EU, even after Lisbon, baffled and confused Asia leaders.

Europe's economic problems since 2008 indisputably caused a semi-crisis of European self-belief. But the failure of elite leaders within the EU to show leadership and speak to China, India and Asia more generally, was striking. The simple fact was that most governments failed to tell their populations that the fundamental nature of global politics and the balance of power was transforming. The 2008 financial crisis was not just a warning of the need for change in the financial system. It was no longer a case of overcoming a temporary blip and then returning, older and wiser, to where everything left off a few years later. As HSBC economist Stephen King argued in *Losing Control*, the simple fact was that Asian economies, in particular the high growth economies of India and China, were going to become massively competitive for the world's energy, resources, commodities and food (King 2010). The emergence of a Chinese middle class (as large as 200 million) adopting the same habits as Western consumers – driving cars, eating more meat and using up more energy per capita – meant that this newly competitive global market place became clearer. There is no reason to believe that this will change. As King argues, for the next generation in the EU, the world is going to be a tougher place, and one where the competition from emerging powers in Asia, and elsewhere in the developing world, will be unavoidable.

However, this is not to say that this is some kind of catastrophe or cataclysm, and that we in Europe are facing an existential threat akin to the fall of the Roman Empire or the rise of a new kind of "barbarian" threat. Most

Asian countries have signed up to a program of modernization that was largely created in the West. Democratic values have spread, from Indonesia to unexpected places like Singapore and Malaysia, where formerly secure ruling parties have had to deal with far more fractious and demanding populations, willing to express their anger through the ballot box. Even in China, a sharp rise in social unrest since 2001 has shown that economic reforms on their own are not enough to appease everyone. Complex new relations between governing elites and constituent parts of their population are emerging, with the impact of information technology creating a new kind of dynamism and fundamentally redrawing the social contract in all but the most recalcitrant systems (North Korea being the starkest example, which until recently upheld a blanket ban on mobile phones and the Internet). The simple fact is that comfortable stereotypes of Oriental despotism are a thing of the past, if they ever had any real traction at all. Across different political cultures and histories, the ways in which governments can rule, the ways in which people participate in decision-making, and the boundaries of political power, are all being redrawn.

In this situation, Europe will almost inevitably lose some of its dominance. It will no longer have the cache of being the world's largest single market. It will need to make deals with emerging economies in Asia and the rest of the developing world on energy and carbon emissions that might be deeply unpopular with its own populations. Leaders will need to spell out some painful truths about how the world has become more competitive, more difficult and more complex. The EU, and the United States, will find that the international agenda, which they have been so influential over for so long, is going to change in ways which they are increasingly unable to control. They will simply not have the money to wage wars in ways they have been able to under what has been called "the U.S. unipolar moment."

Even with this dominance challenged, the EU in particular has to keep in mind that China, India and other powers in Asia have prospered during an era in which the rules-based economic system, and increasing multilateral and bilateral integration have created a benign, stable and largely peaceful international system. Even the most nationalist governments in Asia recognize this. Ironically, it is the West which is now being challenged by the success of

systems which were largely its original idea but which have spread. The EU and United States, together, need to continue to support those economic values, and the principles of governance and administration, no matter what the current problems, because on the whole they have been successful. The EU needs to be clearer headed about its values, and needs to articulate and support these, while not banging the table and being manipulated into a position where it can be accused of taking the moral high ground by Asian countries. The bottom line is that many of the ideas the EU in particular promoted in the last few decades, of efficient and transparent administration, open markets, and proper divisions between different functions of government and legislation, have been accepted. While its confidence might be low at the moment, that doesn't mean that everything it tried to achieve as an outward actor was wrong. A great deal of its best ideas were right, and have been accepted. It should expect Asian countries to live up to the agreements and the multilateral ideas that they have signed up to, to maintain a global rules-based system, and one which delivers stable outcomes even in the most challenging circumstances.

The world might be radically changing, but the simple fact is that for almost every other government in Asia, the constellation of demands – from the continued promotion of economic growth, a benign peaceful international environment, and a newly fragmented political landscape where the balance of power between citizens and those ruling is challenged by the day – means that Asian domination in place of a U.S. centered-world is either a long way off, or simply not an option. Multi-polarity means that, with smart joined-up thinking and diplomacy, and careful alliances, Europe and the United States can come through all of this change more competitive, robust and still able to influence key areas. Fatuous talk of a clash of civilizations and values is already getting worn out. Instead, we need political leaders in Europe who have the confidence to challenge some of the assumptions of their populations, and point out that the era of Western dominance is not only unsustainable for the rest of the world, but also for the West itself. With a more pragmatic, clear-sighted policy of engagement, Europeans and the West might modify their position on the role they play in the world and how they related to Asia and other areas, and a new global landscape might appear in which Asia figures more cohesively, and much more powerfully in our lives. This outcome would

be perfectly workable and might even offer solutions to the lamentable economic and political quagmires into which the West has fallen in the last two years. This would surely be far better than the apocalyptic nightfall that Ian Morris talks of, where the intransigence of an energy-gobbling, debt-ridden West, and the hasty anger and hunger of developed countries creates a perfect storm for a clash, not so much of civilizations, but of competing, incompatible, unrealistic and unsustainable demands.

*The views here are the authors and do not represent those of Chatham House or the European Commission.*

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# Perceptions and Realities of Asia-EU Relations

Michito Tsuruoka

## The burgeoning relationship

Relations between Asia and Europe – or the EU specifically – have developed substantially in the past decade or two. They have been driven primarily by the expanding trade relationship between the two regions. Asia and the EU are becoming more interdependent first and foremost in economic terms. What is important to recognize here is the “interdependent” nature of the relationship, meaning not only that Europe is dependent on Asia as a rapidly expanding market and manufacturing base but, at the same time, Asia is dependent on Europe as a mature export market and source of investment and technology. As a result, Asians are closely following the euro and government debt crisis in Europe and other developments because they believe that what happens in Europe affects them. Europeans likewise pay increasing attention to economic, political and security developments in Asia as something that could affect Europe’s economic well-being. Mutual awareness as well as economic relations between the two regions have therefore deepened, which no one can deny today.

Despite this development in the relationship, it is still often argued that the Europe-Asia relationship represents the weakest link among the major power centers in the world. Indeed, those who advocate the relationship spend considerable time discussing how to strengthen it. There are probably two reasons for this seemingly contradictory situation. First, while the overall relationship between Europe and Asia has developed rapidly, it has so far focused on trade and economic matters: political and other non-economic aspects of the relationship remain less-developed. Second, when it comes to Asia-Europe relations per se, attention tends to be paid to the Asia-Europe Meeting (ASEM) as an embodiment of such relations. However, ASEM as a framework for promoting interregional cooperation has not been always seen as successful or effective.

This brief article will examine the current state and challenges of Asia-EU relations by examining the way in which the EU engages in Asia and Asians' perceptions of the EU's role in their region. It aims, in short, to "get real" about the relationship.

## What role should Europe play in Asia?

In terms of the EU's engagement in Asia, arguably the most fundamental structural problem is the lack of clarity in the EU's role in Asia. The EU has forged what it calls "strategic partnerships" with China, India, Japan and the Republic of Korea (South Korea) and released a number of official documents outlining its policy toward the region as a whole or the individual countries in the region. In addition, the EU has a long-standing relationship with the Association of South East Asian Nations (ASEAN). Nevertheless, it is still hard to argue that the EU has a coherent strategy and a single set of priorities regarding Asia. In addition to defining which interests it needs to defend in Asia, Brussels must define how, when and for what purposes it will defend these interests. Without a clear idea of what it wants to achieve, any engagement or relationships cannot go beyond the level of diplomatic niceties.

There are two major reasons why the lack of direction persists. First, there is the reality that individual EU member states have differing interests and priorities, meaning they often pursue mutually contradictory policies toward Asia, most notably vis-à-vis China. Simply put, the EU does not speak with one voice. Second, compared with the economic domain, the EU's political and security profile in Asia remains underdeveloped, which makes the task of formulating a comprehensive EU strategy difficult or inevitably incomplete. Given that Asia is a region where a number of traditional as well as non-traditional sources of conflict exist, it is just impossible for the EU to focus exclusively on economic relations while ignoring political and security situations in the region. The degree to which the EU might be affected by political and security developments in Asia is set to increase in the years to come, which makes it more urgent for the EU to define its strategic interests in Asia. The EU has long recognized the problem of its weak political and



security profile in Asia and has been trying to raise it. The record so far has not been impressive, nonetheless.

A common pattern in the development of EU foreign policy has been to respond to external expectations and pressures. Development policy, which is demand-driven by nature, is obviously a good example of this. The EU's handling of the issue of enlargement can also be understood in a similar vein, because key decisions by the EU were almost always made in view of how to respond to increasing demands from the countries aspiring to join the EU. Without strong demands from such countries, it would have taken more time to build a consensus within the EU regarding enlargement. Does this sort of pattern exist in EU-Asia relations? The answer so far is probably no.

But there is no single voice on the Asian side either. Different countries have differing perceptions and goals in their relations with the EU. More importantly, demand for Europe's engagement in Asia is not particularly strong in overall terms across the region. What many Asians expect from the EU includes investment, technology transfer and an export market. Obviously, these are all important aspects of Asia-EU relations, since they have driven the rapid development of the relationship in the past decade or two. However, it is also undeniable that Asia's awareness and expectations of the EU's actual and potential political and security role in Asia remain low.

Against this backdrop, there is a school of thought which expects the EU not to do any harm in Asia, representing a negative conception of the EU's role there. In the wake of controversies over the EU's move to lift the arms embargo on China (discussed in the next section), some Asians, most notably the Japanese and Taiwanese, became conscious of possible adverse impacts that the EU could cause in Asia. In addition, some countries in Asia are critical of the EU's handling of human rights issues and fearful of Europe's intervention in what they regard to be internal affairs. Those countries can also be seen as part of the "do no harm" camp vis-à-vis Brussels. However, this cannot be a constructive foundation on which to explore the future of EU engagement in Asia. It is actually in the EU's interest to explain to the Asians how it can be helpful in addressing various regional issues. As long as the EU needs to be engaged in Asia not only in economic terms, but also in political and security terms – even if this is primarily for the purpose of safeguarding its

economic interests – it is important to let the Asians believe that the EU matters in Asia, and that it can be a good partner. The EU needs to pursue a more pro-active approach to Asia in this regard.

## The nexus of economy and security

Another aspect that needs to be examined in the context of Asia-EU relations is the link between trade and economic issues and security and defense. In short, economic and security issues are increasingly interlinked. On the one hand, the economic presence of the EU in Asia is already substantial and the volume of economic transactions between the two regions is likely to increase for the foreseeable future. The EU seems to have a relatively clear set of ideas on what it wants to achieve in the economic fields, as was demonstrated in the September 2010 European Council on strategic partnerships. On the other hand, however, the EU's political and security profile in Asia has yet to be established and the EU does not seem to have a clear set of goals in the region (as discussed above). Because of this, the EU is not always seen to be fully aware of potential political, security and other wider effects that its seemingly economic decisions might bring about.

A case in point is illustrated by the controversy over the EU's move to lift the arms embargo on China (2003 –2005). The way in which the EU handled the matter reflected a blatant lack of awareness regarding the potential political, security and military implications the decision to lift the embargo could cause. To be sure, it is nonsense to argue that the EU intended to harm the security interests of Japan, the United States and other partners in the region. But it is true that the EU simply considered this an economic issue and failed to take into account its security and military implications. The EU now seems more aware of the security environment of East Asia within which the issue of lifting the arms embargo needs to be handled. Nevertheless, the controversy over the matter left behind perceptions in the region of the EU as lacking the capacity to think and act strategically – an image it is still battling.

In short, given the sheer size of Europe's economic activities in Asia, the EU's actions and decisions, apparently driven by economic or trade

considerations, often come with unintended consequences. Europe needs to be fully aware of this.

## Bilateralism versus interregionalism?

One oft-cited characteristic of EU foreign policy is to promote regional integration or, at least, “effective multilateralism” in other regions, including Asia. However, the EU’s approach has never been consistent in this regard. Not surprisingly, the EU from time to time must take a different stance for the sake of effectiveness in advancing its interests. Whereas the EU initially aimed to conclude a free trade agreement (FTA) with ASEAN as an interregional enterprise, it soon had to give up the idea as being too ambitious and time-consuming. Instead, the EU has started to negotiate a series of FTAs with selected individual ASEAN countries, beginning with easier cases such as Singapore. Although the EU has not officially abandoned the ultimate goal of an interregional FTA with ASEAN, it is seen to be a distant goal.

Some are – perhaps to some extent legitimately – critical of the EU’s approach, as it undermines the ideal of promoting an interregional Asia-EU relationship and regional integration within Asia. Whether, or to what extent, Asians themselves actually want the EU to promote regional integration in Asia remains at best unclear. If Asian expectations regarding the EU as a facilitator of regional integration in Asia are not high, there is little reason to lament or criticize the EU’s increasingly bilateral approach in Asia.

This brings us to another fundamental reality of Asia-EU relations, which stems from the highly diverse nature of Asia as a region. The EU’s agenda items differ according to its relations with individual countries such as Japan, China, Singapore and Vietnam. While it may be tempting to argue that the EU should coordinate its policies with various individual countries in an effort to be as coherent as possible, it is often impracticable to link one bilateral relationship to another, given differing agenda items and interests. A related noteworthy reality is that what can be achieved in multilateral settings is unlikely to exceed what can be done bilaterally. Therefore, it is often not only

in the EU's interest, but also in Asia's interest to pursue bilateral undertakings in the context of Asia-EU relations.

## Ways forward

What this brief article has tried to demonstrate is a set of realistic takes on the Asia-EU relationship. In the first place, any assessment of the state of the relationship inevitably depends on what one expects from the relationship. While there are still many things that government initiatives can achieve, such as negotiating FTAs, it must also be recognized that the relationship as a whole is too complicated and too deep to be monopolized by the authorities. In fact, regional cooperation in Asia, unlike that within the EU, has largely been a spontaneous process that is not driven by strong political leadership.

This by no means is intended to deny the value of political initiatives to promote the relationship. On the contrary, positive agenda items such as FTAs, people-to-people exchanges, dialogue on societal issues like aging, welfare and pensions are generally of mutual benefit and need to be pursued when and where needed. But “cooperation for the sake of cooperation” cannot be sustainable. Moreover, it is superfluous, precisely because the relationship is already flourishing spontaneously in many respects..

*The views expressed in this articles are of the author's alone and do not represent those of the NIDS, the Ministry of Defense or the Japanese Government.*

## Related publications by the same author

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## Europe-Asia: More than Distant Economic Partners?

Michael Reiterer

Doomsday scenarios for Europe sell well these days. This has been declared to be the Asia-Pacific century, a regional rise that some take for granted will come at Europe's expense. Others, such as International Monetary Fund (IMF) Director Christine Lagarde, offer a reciprocal warning: "This (Asian) region clearly continues to propel the global recovery, but at the same time, if strains in the euro zone worsen further, Asia would be negatively impacted through both trade and financial sector channels" (IMF 2011).

In recognition of this interdependence, Asian countries in general – but China in particular – are expected to become more engaged international players by taking on more responsibility in international affairs and global governance. Like others, China has to meet the following challenges: putting its huge foreign reserves to work, in part domestically by investing in education and research; adjusting the value of its currency to take into account the effects of its export-led industry; building up a social security system while playing by international rules, as for example in the banking sector; and improving legal security and thereby predictability. This could help stabilize domestic politics by strengthening the rule of law and overcoming the split between economic and political freedom, thereby assuring a more even distribution of income and wealth. Furthermore, if China were to integrate sustainability into its policy-making priorities in the interest of the strained global commons – paying closer attention to issues such as the environment, climate and natural resources – this would contribute to preserving or safeguarding (social) peace at home while making a tremendous contribution to preserving the global commons and strengthening elements of global governance related to these issues. At the level of Asian states in general, more transparency and accountability would foster trust and stability in domestic political systems.

In recognition that the export orientation and success of most Asian countries is heavily reliant on strong economies in the European Union and the United States, engaging in global governance should be regarded as a policy of self-interest, not an act of benevolence: “The need for global governance in an ever-growing number of sectors – financial and insurance industries; the car industry; the aviation industry; energy supply, energy security and energy efficiency; environmental protection and the fight against climate change; poverty alleviation, social cohesion and development policies; and demographic developments and migration, to name just a few – will shape the conduct of international politics among states and regions” (Reiterer 2008: 53).

The political landscape in Asia is much more unstable than that found in Europe. For decades, the Association of Southeast Asian Nations (ASEAN) has led efforts to define a collective Southeast Asian regime, while more recently, China, Japan and South Korea have begun what remains a rather timid process of Northeast Asian regime-building. Russia is also interested in maintaining its influence in Asia; it recently joined the Asia-Europe Meeting (ASEM) process on the Asian side, and highlighted its claim to the four Kurile Islands through the historic 2010 visit by President Dmitry Medvedev, an unpleasant surprise to Japan. India, which in the past has played little active role in East Asia, is preparing to engage more deeply with the region through a free trade agreement with ASEAN, while also strengthening its relations with Japan through an economic partnership agreement (2011), a move motivated in part by China’s growing assertiveness. However, the persistently strained relationship between Japan and China, exacerbated by Chinese territorial claims particularly in the South China Sea, remain obstacles to regime building in East Asia. This lack of coherence will on the one hand prevent Asia from exercising a significant influence over the shaping of international (economic) governance, while on the other hand, could become over time an incentive to regime building within Asia itself.

Given the present state of affairs, the trend toward militarization is worrying, due to the many regional hotspots with potential to reignite. The still-divided Korean Peninsula bears the wounds of the Cold War, overcome in Europe but still present in Asia. It is also home to a failed regime (North

Korea) that is both prone to unrest and engaged in nuclear proliferation. The temperature curve of tensions related to the Taiwan Strait remains a reminder of another unsolved problem, although in recent times cooperation has prevailed over conflict. Territorial disputes are widespread, helping to fuel a regional arms race and occasionally erupting into exchanges of fire at worst, or diplomatic rows at best. Although China's rise is in a sense a reestablishment of past influence, the process has intensified regional insecurity largely because of the country's lack of transparency in policy-making and defense spending. India is entering the competitive fray in particular by engaging with ASEAN, and in the medium term has the potential to overtake China due to its young population and growth potential, a situation that would be comparable to China's overtaking of Japan in 2010. ASEAN will have to expend considerable effort if it is to retain influence and remain in the driver's seat of the regional integration processes it has initiated (the ASEAN Community with its three pillars: political-security, economic, social-cultural; ASEAN Regional Forum; ASEAN+3; East Asian Summit, etc.), as powerful partners may seek to claim a leadership role for themselves. In this context, the failure to broker a settlement among its member states in the territorial dispute over the Preah Vihear Temple has weakened perceptions of ASEAN's proclaimed integrative force and capacity for dispute settlement.

Aware of its balancing power and role as guarantor of the security of allies Japan, South Korea and Taiwan, the United States is refocusing its attention on the region. This is taking place not only for economic purposes – to establish a “seamless regional economy to create jobs” (Obama 2011, Hawaii) – but also for political reasons. Indeed, the rise of China and other geopolitical considerations are prime motivators for the increased U.S. interest in the Asian-Pacific region. In addition to the abovementioned formal security partnerships, the United States is also intensifying its role in various regional cooperation schemes such as the Asia-Pacific Economic Cooperation (APEC). Thus, for the first time in 20 years, the United States chose to host the annual APEC Summit in 2011, in President Obama's home state of Hawaii.

That same year, President Obama was also the first U.S. president to attend the East Asian Summit, where he pushed for the enlargement of the 2005 Trans-Pacific Partnership (TPP, including Australia, Brunei Darussalam, Chile,

Malaysia, New Zealand, Peru, Singapore, the United States and Vietnam) to include Japan, Canada and Mexico, all three of which have expressed interest in accession. If this proposal is realized, the TPP would de facto link NAFTA with Asian-Pacific partners, but first and foremost with Japan. This linkage would be of concern for the European Union.

Making use of a visit to Australia, one of the United States' staunchest allies in the region, President Obama assured the region of his country's commitment: "As the world's fastest-growing region – and home to more than half the global economy – the Asia-Pacific is critical to achieving my highest priority: creating jobs and opportunity for the American people. With most of the world's nuclear powers and some half of humanity, Asia will largely define whether the century ahead will be marked by conflict or cooperation, needless suffering or human progress. As president, I've therefore made a deliberate and strategic decision – as a Pacific nation, the United States will play a larger and long-term role in shaping this region and its future, by upholding core principles and in close partnership with allies and friends. ... As we end today's wars, I have directed my national security team to make our presence and missions in the Asia Pacific a top priority. As a result, reductions in U.S. defense spending will not – I repeat, will not – come at the expense of the Asia-Pacific" (Obama 2011, Canberra). To underline this commitment, the United States agreed to station 2500 soldiers in Australia.

While this news was potentially reassuring for countries in the region such as Thailand, the Philippines and Indonesia, China regards this new U.S. strategy as the activity of a foreign power meddling in its own sphere of influence; this is particularly true in the South China Sea, with its natural resources and strategic importance for world trade, containing sea lanes connecting Asia with both the United States and Europe. China's ongoing territorial disputes with other countries in the region bear testimony to this importance. Secretary of State Hillary Clinton's well-orchestrated and successful visit to Myanmar (Burma) at the beginning of December 2011 was seen as another intrusion in an area previously reserved to Chinese influence.

As the world's largest holder of foreign exchange reserves, the total of which reached \$3.2 trillion in June 2011, China is a global force which cannot be ignored. Although irritated by China's refusal to revalue its currency, the



United States has to find a means of accommodating China within its new strategy while avoiding any political dependency. “Meanwhile, the United States will continue our effort to build a cooperative relationship with China. All of our nations have a profound interest in the rise of a peaceful and prosperous China – and that is why the United States welcomes it. We’ve seen that China can be a partner, from reducing tensions on the Korean Peninsula to preventing proliferation. We’ll seek more opportunities for cooperation with Beijing, including greater communication between our militaries to promote understanding and avoid miscalculation. We will do this, even as we continue to speak candidly with Beijing about the importance of upholding international norms and respecting the universal human rights of the Chinese people” (Obama 2011, Canberra).

The U.S. president’s participation in the 19th ASEAN Summit in Bali in November 2011 was the last step in a well-orchestrated whirlwind Asia-Pacific tour designed to underscore the strategic change announced in Canberra. The additional focus on job creation through free trade arrangements is also to be seen in the context of the run-up to the 2012 presidential elections, in which “It’s Asia-Pacific, stupid” could become the new version of “It’s the economy, stupid.”

The United States’ engagement in the Asia-Pacific region represents a challenge for the European Union, however. In commercial terms, the European Union and the United States are competitors in the region, as the EU is one of the largest trading partners for most of the region’s countries; this competition also extends to the export of rules, regulations and standards. Furthermore, like the United States, the EU is in dire need of economic stimulus and job creation. President Jose Manuel Barroso’s attendance at the Pacific Islands Forum in September 2011 represented recognition of the region’s growing importance for Europe. While there, Barroso outlined areas of potential cooperation such as climate change, global warming, aid effectiveness, promotion of human rights and the rule of law (Barroso 2011).

While the United States’ military-strategic capacities are unmatched, the European Union has longstanding and highly valued relationships in the Asia-Pacific region. These include a process of dialogue with ASEAN that has been ongoing since 1977, participation in the ASEAN Regional Forum (ARF), and

its partnership in the Asia-Europe Meeting (ASEM). In the “EU’s approach toward external relations, one could see ASEM as one of the many group-to-group or interregional dialogues that have been very much part of the EU’s political and economic strategy since the 1980s” (Reiterer 2004: 11), thereby promoting effective multilateralism. In addition, and in recognition of the importance of certain Asian countries, the EU is building strategic partnerships with Japan, South Korea, China and India. In pursuing this policy, the EU is applying a policy mix of bilateralism and interregionalism, and is promoting the particular interests held by some of its member states in the region.

Yet despite EU efforts to strengthen interregional cooperation with Asian countries (Reiterer 2006), some setbacks have emerged, such as the need to bring negotiations with ASEAN on a proposed EU-ASEAN free trade agreement to a (possibly temporary) halt, and instead pursue bilateral negotiations with Singapore and Malaysia. A free trade agreement (FTA) linked to a political framework agreement with Korea is already in force, while a scoping exercise with Japan aimed at the same end is under way. However, a scheduled October 2011 summit with China had to be postponed due to an emergency European Council meeting seeking to find a solution to the sovereign debt crisis, an unfortunate incident underlining the EU’s continuing preoccupation with its own domestic issues.

Regional cooperation beyond ASEAN is also drawing more attention within Asia. Even China is reverting increasingly to the use of multilateral instruments, as demonstrated by its creation of the Shanghai Cooperation Organization, its hosting of the Six Party Talks with North Korea and its increasingly deeper engagement in Northeast Asia. This latter trend was demonstrated by the 2010 summit between China, South Korea and Japan, which dealt with the issues of North Korea’s nuclear program, environmental protection and climate change.

However, unlike in Europe, regional integration in Asia remains comparatively weak. The region relies instead on intergovernmental cooperation, a policy of mutual noninterference in internal affairs, and a sectoral approach instead of a holistic political agenda. This is also reflected in the ever-growing number of bilateral and regional free trade agreements,

which are shallow in nature and therefore have only limited trade-creation effect. Today's tightly interwoven production networks are no replacement for fully fledged deep free trade agreements or economic integration.

In the past, efforts to foster regional integration have focused on currency cooperation, as took place with the Chiang Mai Initiative of currency swaps in the aftermath of the 1998 Asian financial crisis. These endeavors have not progressed further, however, in part because of China's policy of maintaining a weak renminbi, and the persistence of a relatively strong yen despite Japan's (internal) debt problem. The present European sovereign debt problem, with its repercussions for the value of the euro, might hinder further progress in Asia. The Asian Development Bank has already undertaken research on this topic. Alternatively, cooperation to secure energy supplies could be a potentially beneficial means of organizing Asian regional cooperation.

In recognition of the current high levels of global interdependence – a message driven home multiple times in the recent past (U.S. subprime crisis, collapse of Lehman Brothers, sovereign debt of several European countries) – joint efforts to prevent a downward economic and financial spiral and a decline in worldwide demand have taken place. The art to these activities, however, is in finding common ground for the implementation of solutions.

This is the moment for BRICS (Brazil, Russia, India, China, South Africa) in general, but China and India in particular, to cooperate more closely with their traditional partners: the United States, the European Union, Japan and increasingly South Korea. While Europe has to avoid being patronizing, Asian partners have to overcome the reflex to claim – in forums such as the climate change discussions – an entitlement to do what Europeans (and Americans) did in completely different political, economic and environmental circumstances. Asian governments should thus take part in global governance activities, contributing to the effective functioning of the relevant institutions while rightfully claiming a fair degree of representation and influence.

Correspondingly, Europe and the United States will have to give up some of their old prerogatives either in the form of voting powers or guaranteed seats at the high table. The give and take must be mutual. According to Giovanni Grevi, "The net geopolitical effect of this crisis will likely be to accelerate the

shift of economic power and political influence from the West to the East, most notably to China. The risk is that both developed and emerging countries turn more inward looking as a result of serious economic and social turbulence, neglect the imperative of the international coordination of their economic policies and yield instead to protectionist tendencies and beggar-my-neighbor policies, leading to political tensions. There is also the danger that the economic crisis detracts political capital and resources from crucial investment in, for example, the energy sector, clean technologies, and development at large” (Grevi 2009: 24-25). Thus, “[t]he shift of economic power and the effects of demographic development stain the multilateral institutions which are essentially the product of the post-war period: They no longer reflect the balance of political and economic power in today’s world” (Reiterer 2012: 274).

The EU’s previously mentioned strategic partnerships with Japan, China, South Korea and India could serve as the framework for developing a comprehensive approach to the region,<sup>1</sup> with ASEAN as the dialogue partner of longest standing. In devising an overall policy, the EU will face the challenge of combining its preference for interregional approaches, such as its pronounced preference for effective multilateralism, with the bilateral strategic partnership concept. Asian partners could facilitate this process by clarifying on their end their perception of cooperation, bilaterally and globally, as they develop their own Europe strategies. These strategic partnerships should also be embedded in a revamped Asia strategy for the European Union, taking into account developments since 2001 (European Commission 2001). Asia is in

<sup>1</sup> Strategic partner” is a special label for a close but as yet rather ill-defined partnership between the EU and selected countries. The term was officially coined as a part of the European Security Strategy (ESS) of 2003, which at the time declared a rather broad “strategic partnership” with Japan, along with China, India, Canada “... as well as with all those who share our goals and values, and are prepared to act in their support.” See: *A Secure Europe in a Better World* (2003) <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>; this strategy was complemented in 2010 by the Draft Internal Security Strategy for the European Union. For the latter, see: “Towards a European Security Model” at <http://register.consilium.europa.eu/pdf/en/10/st05/st05842-re02.en10.pdf>

flux, alliances are shifting, yesterday's enemies are today's friends – Vietnam cooperating closely in the economic and military field with the United States is one of the more striking examples on the positive side of this shift, while two members of ASEAN, Thailand and Cambodia, have exchanged fire over a disputed area of a UNESCO protected temple.

In addition, global governance has expanded beyond economic, financial and political matters, today encompassing migration issues, cooperation to stem international criminality and organized crime, efforts to prevent the proliferation of small arms, and policies aimed at stemming nuclear proliferation on the state level – all areas in which Asia is an important stakeholder.

Based on their experience with production networks, Asian partners are aware of the importance of non-state actors in international politics. The actions of international banks, insurance companies and rating agencies have been felt strongly throughout the recent crisis, reminding state actors – who have in fact recuperated some of the influence previously lost to the effects of globalization – that these institutions need more attention and regulation. The useful link between regulation and liberalization has once again come to the fore of policymakers' attention. This is an area where the European Union could share its experience in transnational rule making and standard setting with Asian partners.

Europe also has longstanding experience in working with NGOs as representatives of civil society – a role many Asian governments are not willing to allow NGOs to play, as they are often not perceived as an additional channel for communication, transparency, information and legitimacy, but as unwelcome sources of interference or opposition.

Asia and Europe each are faced with the difficult task of adapting to a change of paradigm, as elaborated by European Council President Herman Van Rompuy in 2010 at a speech at Kobe University. Economic globalization is increasingly translating into political globalization. This latter tendency is evidenced by the rising importance of new players such as BRICS, but also by new institutions such as the G-20 (Van Rompuy, 2010). However, these two forms of globalization do not follow the same rules. While economic

globalization was predominantly carried out by international economic actors (transnational companies), and was enabled by cheap transport costs and the explosion of cheap communication via the Internet, within a framework provided by states, the process of political globalization has returned influence to the traditional actors in international relations, the states.

Thus, the international system faces the challenge not only of adapting to new emerging states (coming in the wake of new emerging markets), but also of adapting its international institutions. The most visible discussion in this regard focuses on the redistribution of influence within the IMF, but the issue extends beyond financial to economic institutions such as the WTO. However, the inability to finalize the Doha Development Agenda, the blame for which is shared in part by Asian partners (in particular India, in conjunction with Brazil and the United States), represents a blow to efforts to develop global governance. Moreover, WTO members must forgo a much-needed economic boost as a result. The lack of progress in reforming the United Nations is an impetus for the G-20, which in turn is the political successor to the primarily economic and financial G-7 and G-8, gatherings whose legitimacy is constantly questioned because of their limited membership.

Modern telecommunications have allowed emerging markets to accelerate their development, with mobile phones and the Internet being the main instruments. Investment in the necessary infrastructure is a key factor for future success in development. On the other hand, social networks also have a political dimension, as Chinese citizens' use of the Internet has shown. The recent Arab Spring demonstrated the force of social media in bringing down regimes, a rather discomfiting experience for authoritarian regimes in general. Improving the security of these new tools (ensuring data protection, fighting Internet crime and espionage, preventing cyber warfare, etc.) and making them available for national development purposes could prove a rewarding joint venture between Asia-Europe and the United States, the latter of which still holds an edge in new technology innovation.

Concentrating cooperative efforts, especially research and development, on areas that are of mutual benefit but hold particular interest for Asian partners would have a double positive effect, by fostering solutions to common

problems and engaging Asian partners internationally. Such efforts could take place in the areas of environment, energy efficiency and alternative energy resources, for example, which are in turn linked directly to global governance activity.

Today is the first time in recent history that non-European forces are playing a decisive role in shaping not only the politics of the international system, but also its prevailing values. While this is perceived in some Western quarters as a zero-sum relationship, our efforts should be directed toward turning it into a win-win situation. While globalization and interdependence to a certain degree favor this latter optimistic outcome, there are also limits imposed by political and economic competition, as well as by cultural differences that can be a source of innovation and enrichment, but can also turn into a source of friction due to a lack of mutual understanding.

In this context ASEM could serve as an example. Founded in 1995 as a process of dialogue treating Asia and Europe as equal partners, its lack of tangible results or output gave rise to criticism and pointed questions, particularly on the European side: Was this simply a talk shop, engaging in dialogue for the sake of dialogue alone? Asian partners, however, ascribe a higher value to the process of socialization and personal relations in trust-building. Indeed, leaders dressing the same at APEC summits or song performances by ARF participants play important roles in building long-term and trusted relationships. However, in the view of people from both outside and inside the region, the “ASEAN way” of doing things has also become shorthand for a slow, thoughtful, consensual, informal and non-institutionalized process. Nevertheless, it reflects a long-term orientation in policymaking and a persuasion-based method for dispute resolution, thereby reflecting fundamentally Asian values.

Gillian Goh and other scholars have described this process as follows:

“[Norms of the ASEAN way] include the principle of seeking agreement and harmony; the principle of sensitivity, politeness, non-confrontation and agreeability; the principle of quiet, private and elitist diplomacy versus public washing of dirty linen; and the principle of being non-Cartesian, non-legalistic. It is important to note that this set of norms describe the means of carrying

out action rather than the ends. That is to say, they do not identify specific goals of policy such as the preservation of territorial integrity. Instead, they prescribe the manner in which the member states should manage their affairs and interact with one another within the context of ASEAN” (Goh 2003: 114).

“In traditional terms, the manner of politics found in Southeast Asia can be considered to a large extent to be personalistic, informal and noncontractual. The survival of the existing empires relied heavily on a ruler’s successful relationships with others in power. Unlike the West, Southeast Asia never experienced an equivalent to Roman law which might have introduced “rational bureaucracies” in the Weberian sense and brought a more formal and legalistic systemization to the local politics. According to Busse, after the process of decolonization, the traditional polity was transformed into what some specialists have called “bureaucratic polities.” Even though formal political institutions existed in theory, in reality, most of the states in Southeast Asia were ruled by small elite circles operating on the basis of patronage networks. This had the effect of institutionalizing a highly private and informal political culture. Thus, even today, a set of social etiquette exists which has its basis in indirectness and social harmony” (Goh 2003: 114-115).

From the point of view of interregionalism (Reiterer 2008), closer cooperation between Asia and Europe, making use of ASEM or the longstanding EU-ASEAN dialogue, could contribute to developing global governance further: “Due to an ever-increasing number of international actors, their heterogeneity of interests and the growing complexity of policy fields, it is becoming more and more difficult to reach consensus at a multilateral global level. Interregional dialogues such as ASEM thus negotiate topics that previously were immediately transferred to global multilateral forums, and helped to strengthen the process of institutionalization of international politics” (Reiterer 2004: 13).

The Asian preference for indirectness in communication and sometimes in action, which in the spiritual field is manifest through the hiding of objects of worship to both arouse interest and place the object on a higher level of adoration (Epprecht 2009), is not easily accessible to Western minds with their rationalistic, output-oriented conventions, and a mode of action and reaction



informed by perceptions of influence and force. Europeans and Asians also have a different understanding of time. In business, long-term relationships in Asia can be preferred to short-term contracts or even quick profits. Based on this longer-term perspective, results need not be immediate, and at least in certain circles, immaterial gains are deemed important.

Win-win situations require the establishment of some prerequisites, including the ability to interact and communicate effectively; commonly defined interests that are either developed collectively or imposed by the nature of the problems at hand (e.g., environmental concerns); the capacity to contribute to the solving of the problem (e.g., no free riding); and the ability to identify common solutions to common problems.

One of the main issues of contention between Europe and Asia is linked to finding a solution to the common global problem of climate change. Aside from Japan, South Korea and Singapore, most Asian nations are still deemed developing countries – though China, which displays characteristics of both developing and industrialized countries (e.g., emerging country), has taken on a rather ambiguous status. The developing countries define progress in catching up with the “West” in terms of economic development, sometimes along the simplified line of “When each European is entitled to a car, than every Asian is too.” Claiming the right to pollute in the same way today that the Europeans did during the Industrial Revolution jeopardizes overall progress in fighting climate change, which, however, cannot lead to the conclusion that latecomers are no longer entitled to progress. Making use of recent technological and scientific advancements, joint solutions need to be found within the context of R&D, but also in supporting weaker economies in line with the Millennium Development Goals.

Similarly, a Europe that takes a patronizing tone on human rights issues does more harm than good; this cannot lead to the toleration of shortcomings or violations, but should rather result in intensified dialogue, backed up by concrete actions. Fostering sustainable development has a direct positive correlation with economic development and the respect for human rights. If the relationships are to be successful, the respect accorded to cultural differences will nevertheless have to take into account an element fundamental to the human rights system itself – the distinction between civil and political

rights on the one hand, and economic, social and cultural rights on the other. However, the fundamental rights promulgated by the Universal Declaration of Human Rights remain unalienable.

The ongoing financial and sovereign debt crisis has created a new awareness of common interests and interdependence, with the international financial and trade systems serving as merciless transmission mechanisms of globalization. A Chinese prime minister exhorting the U.S. president to reinvigorate the U.S. economy is no longer expressing Communist rhetoric aimed at seeing the enemy of the working class tumble under its own contradictions. Export-led growth has created not only huge amounts of foreign currency reserves, but also a double dependence: China and other exporters require access to markets, and need to maintain the value of their amassed reserves. On the other hand, sovereign investment funds investing these reserves are a means of exercising influence, and create another conduit of dependence. (Godement/Parello-Plesner, 2011)

In addition to this interdependence in the globalised economic, financial and political spheres, common projects facilitate cooperation that should in turn lead to shared progress. The need for such cooperation is based on a new and better understanding of common interests. It is fostered by the effects of globalization, which have expanded beyond the economic and financial fields to encompass politics as well, necessitating adaptations of the international system and its institutions.

In the long term, Asia and Europe have a common interest in preserving the global commons, improving international governance, reforming international institutions to achieve these goals, and allowing for the participation of new players such as the BRICS in order to keep the institutions of global governance operational. Working toward overcoming the lingering effects of the Cold War in Asia and contributing to international regime building so as to provide a forum for conflict resolution are both worthwhile goals. The EU's experience in this area could be an asset, for a number of reasons: It has not only brought longstanding foes (France and Germany, for example) together, but has turned them into allies engaged in fostering European integration. Moreover, it has considerable recent experience in supporting regime change in Eastern Europe, and in enlarging the sphere of democracy.

Developing a new business model based on sustainability, which at the same time accords a fair share of wealth to those countries in need, will be a demanding common project. Like any economy, Europe needs growth, but growth of a different type and at a lower rate than that required by Asian countries; members of this latter group are still largely going through a catching-up process, and need to lift large parts of their population from poverty while simultaneously integrating a still-growing young population. This is a right which Asian countries cannot be denied, but which in the interest of the “one world” has to be managed sustainably.

Some Asian countries, in particular China, as mentioned above, are today focusing on overcoming internal problems and are not yet ready to engage in international politics or to take on international responsibility commensurate with their size. However, having reached a certain critical mass, introspective behavior is no longer possible – an experience the EU can also share with Asian partners.

In the short term, progress in overcoming the present financial and debt crisis, which has been felt to the detriment of both Europe and Asia since 2008, would be in both parties’ mutual interest. The potential for collective benefit is also evident in implementation of the Millennium Development Goals: Lifting millions of people out of poverty, especially in Asia, will not only be a humanitarian achievement, but also an investment in economic development. This will bolster Asia’s economic strength, which in turn ultimately benefits Europe as well. Common efforts to bridge cultural differences by fostering people-to-people exchanges, especially in the form of educational exchanges, would also contribute to creating a win-win situation. Such efforts could build on the successful Erasmus scheme by significantly enlarging the scope of the Erasmus Mundus Program and the Jean Monnet network, and by dedicating more resources to the various EU institutes in Asian countries, including scholarship programs either directly linked to them or established independently.

In 2009, the European Commission provided a roadmap for Europe in the form of a Directorate-General for Research report entitled “The World in 2025. Rising Asia and Socio-ecological Transition”; this opened with a chapter on the Asian century, mapping the coming challenges for Europe. The report

identified major future trends (geopolitical transformations in terms of population, economic development, international trade and poverty), elucidated the sources of tensions (natural resources, migrations, urbanization), drew transitional pathways in various fields (new consumption and production models, new rural-urban dynamics, a new gender and generational balance) and argued that Asia could be a source of inspiration for future EU strategy, leading to a win-win situation (European Commission 2009: 7).

The globalization of the real and financial economy has already overcome geographic distance, and has expanded into the arena of politics and strategic planning, thereby forcing partners to cooperate in their mutual interest. However, soft issues such as education, research, culture, media and people-to-people exchanges, to name just a few, should be given a higher degree of political attention and support. These areas serve as the foundation for the whole relationship, as they broaden the scope of mutual interest and awareness – all necessary ingredients if the Asia-Europe relationship is to be expanded beyond the realm of economics.

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# The Asian-European Agenda: Promoting Shared Progress

Lay Hwee Yeo

## Introduction

Since the 1990s, the European Union (EU) and Asia have increased their engagement with one other through a variety of platforms – revitalizing “old” interregional dialogues such as the EU-Association of Southeast Asian Nations (ASEAN) partnership, creating new forums for dialogue such as the Asia-Europe Meeting (ASEM)<sup>1</sup> and strengthening bilateral dialogue between Europe and key Asian partners from China to India. Yet as the second decade of the 21st century opens, there is a palpable sense that the EU-Asian partnership has not reached its full potential, and that much more could be achieved. There are also lingering perceptions that continued prejudices and misunderstandings have kept the EU-Asia partnership from blossoming fully. This leads naturally to questions: What are these prejudices and misunderstandings, and how can they be overcome so that Asians and Europeans can move forward together to tackle common challenges and shape a future that is mutually beneficial for all?

<sup>1</sup> ASEM is a forum for dialogue between Asia and the Europe that was established in 1996. The current ASEM partners are the 27 EU member states (Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, The Netherlands and United Kingdom), the European Commission, the 10 ASEAN member states (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand, the Philippines and Vietnam), the ASEAN Secretariat, China, Japan, South Korea, India, Pakistan, Mongolia, Australia, New Zealand and Russia.

## Perceptions and prejudices

Various perception studies conducted by scholars over the past few years (Lucarelli and Fioramonti; Holland, et al.) on the European Union's external image have revealed that it is largely seen as an economic or trading power, but is not widely perceived to be a world power or significant global player. The EU's inability to speak with one voice or to act coherently within the realm of its Common Foreign and Security Policy has created a hesitant and reactive image, one of a body uncertain of its role on world stage. While the EU has been seen positively as a supporter of multilateralism and a model of regional integration, the events of the last two years are likely to have eroded some of these perceptions. The handling of the euro zone's sovereign debt crisis has reinforced the image of Europe as internally divided and incoherent. The rise of China and India and the perceptible shift of power eastward have meant that Europe is also increasingly perceived by Asians as an area in decline.

Yet interestingly, the EU has until recently continued to see itself as a normative power and an inspiration in the area of region-building, and has been guided by the belief that European influence in Asia lies in the exercise of soft power. Unfortunately, this self-perception does not resonate in Asia, and is perhaps one of the key reasons for the lack of real progress in creating a genuinely fruitful Asia-Europe partnership.

Within Asia, hard power backed by strategic thinking and vision is valued. The lack of an effective foreign and security policy and of hard power means the EU's capacity to influence Asia is limited (Jing Men, 2009). Furthermore, the EU's construction of its own identity as a normative power or a force for good may be misconstrued and misinterpreted as an assertion that other actors are inferior and need to be enlightened, which can be an irritant for the rising Asian powers. This is one element driving Asian complaints about European arrogance. In a recent article in *Europe World*, Kishore Mahbuhani criticized EU strategy documents on Asia for failing to reflect the rapid changes taking place in the region, and for hints of "arrogance and condescension" (Mahbuhani, 2011).



This said, in Southeast Asia, where region-building has gone the furthest in the form of the Association of Southeast Asian Nations (ASEAN), European integration has been studied closely and perhaps even admired by some, particularly within the civil society and people sectors. There is also a widespread perception that “there is potential in the relationship that is as yet unfulfilled” (Portela, 2010: 159).

## Expectations and engagement

Tremendous changes are taking place in both Asia and Europe, as well as in the global environment in which both regions operate. The time is therefore ripe for both to reexamine their relationship. But in crafting this new partnership, both Asia and Europe must be aware of the diversities and complexities in the voices, histories, institutions and issues that will shape expectations and affect EU-Asia engagement (Smith and Vichitsorasatra, 2010).

What do Asians expect from Europe? This depends on who one asks.

Asia does not as yet have a collective voice. The Asian region is vast, diverse and complex, and there are competing institutions with overlapping memberships and different subregional organizations. Yet even if one narrows this to Northeast and Southeast Asia, the two subregions with which the author is most familiar, there remains a plethora of expectations. Broadly, these might be divided along the lines of big and small powers; developed and developing countries; and relatively open and closed societies. However, spanning even these differences is a common expectation that the EU will avoid taking a protectionist, inward turn. Smaller countries in particular would not want to see a world order comprised of closed, competing regional blocs.

Many East Asian countries are well-integrated into the global economy, and have benefited from globalization and the rules-based economic system shaped in large part by the United States and Europe. There is also no great desire for fundamental changes in the existing global governance structures, though there are demands for reforms that would give the emerging powers a more significant voice. The fact that Asians want to be better represented in

existing institutions reflects the reformist rather than revolutionary approaches that they are taking with regard to global governance.

The EU's regulatory power is considerable, despite the crisis it currently faces. As noted by Jan Zielonka (2008), the European Union and United States together produce around 80% of the international norms and standards that regulate the global market. The EU possesses unique know-how in establishing regulatory standards, whereas Asians – despite the region's decades of impressive growth – have little regulatory experience. As big Asian powers such as China and India continue to grow and project their power within international markets, there may be increasing demand and pressure for the EU to share its regulatory expertise and draw up standards acceptable to all. In part for this reason, the EU should continue to uphold high standards in the areas of safety, security and sustainability.

Another common expectation is that the dialogue and processes of engagement between Asia and Europe be conducted on terms of mutual respect, as between equals. Asians would be more comfortable if Europeans were more forthcoming about their own interests (rather than hiding behind norms and values), and took the time to listen to and understand Asian positions and interests. Both Asians and Europeans need to rely less on rhetoric and be more open in their dialogue if they are to define common interests able to lead to concrete cooperation. Most importantly, neither region can afford to demonize the other in the interest of pandering to populist sentiments and rising xenophobia within their own societies.

Many smaller Asian countries would prefer to see a cohesive EU taking pragmatic steps to deepen economic and development-based ties. While there are groups within Asian societies that would like the EU to be more active in engaging civil society and NGOs in the promotion of human rights and democracy, there is need for the EU to tread carefully in this realm, striking a balance between developing government-to-government dialogue and encouraging person-to-person ties (and indeed links at all levels of society).

Hartmut Mayer (2009), in an article entitled “The Long Legacy of Dorian Gray: Why the European Union Needs to Redefine its Role in Global Affairs,” argues that for Europe to remain relevant and useful as a global

actor, it must move away from “self-centeredness” and “de-Europeanize” itself. I would similarly argue that Asians interested in having their voices heard, and thus securing a larger role in global governance, need to be less “Asian and particular.” Asians also need to engage in more dialogue among themselves, and strengthen intra-Asian cooperation. There is no need for Asians to follow the European path of top-down integration, but there is a strong argument that Asians should manage and solve some of their regional problems regionally.

Because Asia is vast and diverse, the successful creation of an Asian Union is unlikely, and perhaps not even desirable. Diversity is the new normal, and a centralized, hierarchical, top-down approach to integration and cooperation is out. Asia and Europe will both find themselves searching for a more open, horizontal and networked way to collaborate and search for solutions to the two regions’ common challenges.

## A common Asian-European agenda

What should a common Asian-European agenda for the future look like? Any such agenda must take into account not only conditions in the two regions, but also broader global challenges and forces of change.

The most immediate task, particularly for East Asians and Europeans, is that of stabilizing the global economy. The global economy is under duress, and global stocks and financial markets have been rendered extremely volatile by the debt crises in the developed world. Both the International Monetary Fund (IMF) and the World Bank have warned of increasing downside risks and the prospect of a double-dip recession that could spread from the developed world to envelop the global economy. While still enjoying relatively healthy growth, many of Asia’s economies also show a downward trend. The Asian Development Bank (ADB) has trimmed Asia’s growth forecast for 2011 from 7.8% to 7.5%. Additionally, many Asian economies face a different set of problems posed by high inflationary pressures.

In the medium and longer term, Asians and Europeans need to be actively involved in dialogue with the rest of the world, in particular the European

Union, aimed at shaping a new global financial and economic system that encompasses better crisis management mechanisms.

### **Socioeconomic agenda**

As they seek a forward-looking approach to global economic challenges, both Asians and Europeans should have a common interest in the search for more sustainable economic growth models able to minimize systemic risks to real economies, but which even more importantly help address the social issues of jobless growth, high structural unemployment, mismatches of skills within the job market, and rising inequality. Dialogue and policy learning should be enhanced as the interrelated, high-priority areas of education, employment and the encouragement of entrepreneurship are addressed in parallel. Governments in Asia and Europe should exchange policy ideas on how to develop a more holistic approach to reforming education systems so as to equip the younger generation with the skills and entrepreneurial spirit needed in a fast-changing world. Governments must also put in place policies able to encourage entrepreneurship and innovation.

Asia and Europe have much to gain by enhancing cooperation and collaboration in the areas of education, science and research. Common interests can be advanced through joint policy research and educational exchanges, while regional platforms should be promoted in such a way as to pool resources and spread the benefits.

In the socioeconomic arena, Asia and Europe both face challenges in increasing productivity. This is no longer confined to the issue of labor productivity; more important, in an increasingly resource-scarce world, is the issue of ecological productivity – that is, maximizing the output produced by each unit of input (Moeller, 2011). This challenge too can only be met through research, innovation and strengthened collaboration.

### **Political and security agenda**

Globalization, migration and the revolution brought about by information and communications technologies (ICT) have empowered many individuals.

However, these forces have also bred intense insecurity among many Asians and Europeans, particularly within those societies facing severe economic crisis.

Globalization has eroded the ability of national governments and nation-states to act independently, while the ICT revolution has further undermined national governments' authority by empowering individuals to demand transparency and accountability. New York Times columnist Thomas Friedman has argued that globalization and the ICT revolution have served to "super-empower" individuals, enabling groups of minorities to challenge hierarchies and authorities, ultimately making governing harder. Many such minority groups and movements are now challenging the process of globalization itself. Political extremism, identity politics and social polarization have become increasingly common in societies in both Asia and Europe, driven by frustration and fear. Xenophobia and anti-immigrant sentiments have increased.

What can Asia and Europe do together to tackle these political challenges, addressing fear and anger that could have implications for order and security if conflicts turn violent? Increasing exchanges so as to enhance mutual understanding of different cultures is one approach. Internet and social media tools too can be applied for purposes other than organizing and fomenting discontent; policymakers in Asia and Europe must begin dialogue on how to use these media to engage their citizens and counter extreme ideologies before they go "viral." Migration is also an issue that policymakers in Asia and Europe could work together to manage. As both economic power and migration patterns become more diffuse, an increasing number of both Asian and European countries are finding themselves to be both hosts and sources of migrants.

## **Global agenda**

The European Union has long prided itself on its support for multilateralism and global institutions. Many Asian countries have also acknowledged the importance of global institutions and the presence of a framework for collective action. Globalization increases the need and demand for global

norms able to mitigate conflict and promote international cooperation. Yet we are entering an era in which global institutions face increasing difficulties in delivering solutions to cross-border problems that cannot be solved unilaterally or without cooperation from others. Global governance has not lived up to its promise, and the legitimacy of some of the international institutions built in the post-World War II era is increasingly being questioned. Hence, we see a proliferation of new forums, new architectures and new hybrid, ad-hoc arrangements, from “coalitions of the willing” to informal networks such as the Global Governance Group (3G),<sup>2</sup> organized by small countries fearful that their interests will be ignored in a G-2 or G-20 world.

In the absence of a “benign” hegemon or charismatic source of leadership, it is in the interests of Asia and Europe alike to maintain dialogue and intensify the search for a workable framework able to guide and legitimize local, regional and global actions aimed at solving particular problems. In this common effort to find practical and workable solutions to the various challenges confronting us – from climate change and energy security to food security and pandemics – the key issue for each actor, as Christopher Hill has elegantly put it, is to adhere to the principle of coexistence and “find a way through to the acceptance of diversity, that is, of achieving security in the broadest sense on the basis of neither dominance nor subordination but of working with other traditions towards common ends” (Hill, 2011: 97).

## Conclusion

Asia and Europe are very diverse continents, each with rich traditions and histories. In this article, the emphasis is on the roles that the European Union

<sup>2</sup> The Global Governance Group (3G) is an informal network launched by Singapore in response to G-20. It was created with the aim of strengthening the G-20 process by making it more consultative, inclusive and transparent. Members include Bahamas, Bahrain, Barbados, Botswana, Brunei, Chile, Costa Rica, Guatemala, Jamaica, Kuwait, Liechtenstein, Malaysia, Monaco, New Zealand, Panama, Philippines, Qatar, Rwanda, San Marino, Senegal, Singapore, Switzerland, UAE and Uruguay.

and its member states, key Asian emerging powers (China and India), and regional entities such as ASEAN or ASEAN+3 can play. This is feasible, and even necessary, because most of these countries and regional entities are economically integrated in the global economy and are increasingly politically significant. Take, for instance, the EU member states and their Asian partners in the ASEM dialogue process: Together they represent more than two-thirds of the world population, and account for over 60% of global trade and 60% of global gross national product. Many of the individual nations are also key members of various global forums and institutions. Though the immediate problems and challenges facing each region, sub-region and country may differ, their interdependence and collective influence on world affairs demands that Asians and Europeans step up to their responsibilities and find ways to work together toward sustainable regional and global peace and prosperity.

We cannot deny that we have different interests and priorities, but we can certainly find ways to reconcile these interests if we believe in peaceful coexistence. Our diversity should not be a stumbling block, but instead a strength that can be harnessed to enable progress. Yet progress can only be achieved if leaders in Asia and Europe have the political imagination to come together to address and overcome fears in an increasingly fast-moving, volatile world. The way to conquer fears about the future is to take concrete steps to shape the future. The first step is to maintain an open mind, engaging in genuine dialogue. In pursuing this goal, Asia and Europe must use all possible avenues and platforms available, from bilateral to interregional and transregional forums; they must collectively create new networks of different actors; and they must strengthen exchanges in the areas of culture, education and research. If this is done, both parties can benefit from increased levels of cooperation, while simultaneously contributing to global stability.

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## Asia and the EU: Looking for a Way in Creating Shared Value

Heungchong Kim

The recent turmoil in the global economy has made it clear that another turning point has arrived after three decades of experiments in globalization. In order to better understand the coming era and its implications for Asia–EU relations, it may be useful to go back to the early 1990s, when Asia first recognized the “new” trend of globalization. Notably, Asian countries took different views on globalization. Korea, once boastful of voluntarily opening up its domestic market in the early 1980s, wanted to show that it could keep pace with the global trend, and joined the OECD in 1996. Meanwhile, India and countries in Indo-China demonstrably but slowly transformed their economic systems, which led to their integration into the global consumption network, and more importantly, the global production network. China’s rapid economic expansion was a phenomenon in itself. At the end of the globalization era of the 1990s, a new Asia had emerged. Though Asian countries took different approaches, they shared in the creation of a new, more diverse world order, distinct from that of the colonial era and the Cold War.

It is not at all surprising then, that the European Union developed a new strategy toward Asia in the early 1990s. The European Union, already having an elaborate set-up for internal integration, had recognized a sense of isolation incurred by the formation of APEC, and was aware of its weak presence in Asia. Since 1993, European countries have channeled their common voice for Asia through the European Commission’s reports. The Asia–Europe Summit Meeting (ASEM) was initiated in 1994 and its first summit meeting was held in Bangkok in 1996. It became another tool to encourage dialogue and mutual understanding toward co-prosperity in Europe and Asia. ASEM is now anticipating its ninth summit meeting in 2012, which is worthy of evaluation. It is true that there have been many criticisms of the usefulness of ASEM, and

forum-fatigue prevails. ASEM has, however, clearly contributed towards the creation of the concept of an Asian region for all its Asian participants, who had had little experience of regionalism during the rapid economic development and re-building of their nation-states that followed liberalization. Through ASEM, Asian countries were, for the first time, provided with opportunities to think over their problems and commonalities regionally and cooperate beyond their own countries' borders – already a familiar concept to all European countries and ASEAN states.

Two decades' experience of restored dialogue between Asia and Europe has been accumulated through various types of meeting such as bilateral trade negotiations, the U.N. Security Council, the Doha Development Agenda (DDA), the WTO and other international arenas, in addition to ASEM. For all the great achievements of growing interdependency and enhanced mutual understanding, however, it is true that a kind of discontent and frustration between the two continents has been growing. Let me try to elaborate on this from the European point of view, and also explain the situation Asia is now facing from an Asian viewpoint.

First of all, the European Union and its member countries hope that they can share common values of democracy, human rights and the rule of law with Asian countries. The European Union perceives these values to be so universal that all human beings must enjoy them in all nation-states, regardless of their level of economic development. The European Union and (some) Asian countries took different approaches in dealing with controversial issues like disputes on Myanmar in ASEM, tensions in EU–China dialogues, and the U.N. resolution on North Korea's human rights abuses. The European Union countries think that the Asian way of tackling the issues is not fully in line with the “universal” values that Europe has historically developed as a result of much sacrifice.

Secondly, in terms of the economy and trade, Europe has held several agendas for talks with Asia. As both are located on opposite sides of a big continent, economic and trade agendas have dominated political or social ones in the bilateral relations. As the Asian economy grew rapidly, trade interdependency conspicuously increased. Now the European Union is the biggest trading partner of China, and China is the second biggest trading

partner of the European Union. The European Union is also the second biggest trading partner of Korea, and Korea is the European Union's largest trading partner outside Europe, with the exception of the super-economies of China and Japan. The European Union has exclusive competence in economic and trade matters, and the Brussels authorities have conducted external trade policy on behalf of EU member states. "Global Europe, competing in the world," a report released by the Commission in 2006 and updated in 2010, contains the new EU trade policy directions. It categorized its policy directions into three areas: Asia, market opening and new trade agendas. The European Union took a more active stance on trade policy than previously, by criticizing Asia for its tough regulations and high import barriers, and its predatory export-driven policy. The European Union believes that domestic consumption in Asia needs to be encouraged by government policies including the "normalization" of exchange rates, the opening of domestic markets, the removal of NTBs, the harmonization of domestic regulations with the global standards, and so on.

Thirdly, Asia needs to show its willingness to take responsibility in solving the global imbalance. The unsustainable size of trade and current account deficits in Western countries (including the United States and the UK) and the huge accumulation of foreign reserves in Asian countries clearly illustrate the magnitude of the global imbalance, which contributes to the global economic crisis. Without solving the problem of the global imbalance, it may be very hard to eradicate this root of the crisis, and bring economic stability and prosperity to the world once more. Asia needs to take responsibility in the G20 and other international talks by sharing the burden of designing and implementing new global governance.

Fourthly, climate change has emerged as one of the most serious challenges that the Earth is now facing. The European Union has taken the lead in talking loudly about the catastrophic danger of climate change, and has tried to derive agreed rules for all countries to follow. Asia accused economically advanced Europe and the United States of being the main contributors towards climate change, and revealed its intention to accelerate its development strategies, even though they may speed up global warming.

In two decades' conversation with Asia as it transformed, Europe seems to have acknowledged its inability to influence the continent and induce voluntary changes of attitude. Europe's "universal values" still seem not to be so universal for several Asian countries. The Beijing Consensus is looked upon more favorably by some Asian countries, and the Shanghai Cooperation Organization (SCO) appears to be very popular in central Asian economies. ASEAN's principle of non-intervention, which has frequently been used by many European countries and the United States in the past, seems to show clear limitations on ASEAN's potential evolution into an influential supra-national regional entity for shared common values. European frustration persists, however, even if one accepts the cultural relativist argument in a strong sense, namely that it is absurd to judge another culture through the lens of one's own cultural framework.

For such a complex problem, the solution may be multidimensional. In some areas, we need to bide our time to improve the situation, while in other areas we need to identify and analyze root causes of the problem as we explore opportunities for cooperation. So are the relations of Asia-Europe, I believe.

First of all, just as Europe is not composed of a single European character, nor is Asia. There are wide variations in terms of nation size, population, level of development and democracy, etc. in Asia, which are often cited as the main barriers of further integration. It might be understandable to assume that diversity in Asia may contribute to higher barriers against regional integration, but in fact that diversity gives Asian countries many ways of thinking, a variety of core values and a range of perceptions of the outer world, all of which are good for the future of Asia-Europe relations. Asian countries are taking their own paths to advance their societies. Bearing this in mind, it would be difficult to distinguish a single "Asian value system" that runs contrary to "Western values," even though we might speak of Asian values in a collective sense.

It often appears that for Europe, there is only one country in Asia: China. It is also understandable that Europe and the United States view China with alarm and growing concern. However, it is important to recall that Asia is not China. Indeed, China is only part of a rapidly changing and evolving Asia with increasingly diverse links to external economies. There was little room for other Asian countries in the European economy in the 1980s when Japan was

dominant. Today, China predominates, and no other country – even Japan – exists for Europe. Herd behavior may hinder the creation of a European economic space in which more than one Asian country can operate.

Secondly, let us turn to the economy and trade. It is true that many Asian countries see exports as their main source of growth. China has been the world's factory for many years, and other Asian countries have also been constructing an international division of labor within the region. But weakening domestic consumption does not necessarily imply the outcomes of Asian government's export-driven policy. It may instead be the result of widening income disparities that have appeared in English-speaking countries since the 1980s, and in the European countries and in Asia since the 1990s. Widening income disparity prevents consumption growth from keeping pace with income growth, and the gap between consumption and income has opened up as the income gap got bigger. Asia has become increasingly dependent on exports as a source of economic growth in the face of flagging consumption, and the United States, the world's leading economy, has tried to solve the problem by expanding subprime mortgages, which helped fuel consumption growth, but has now collapsed. If widening income disparity generates global imbalances, then Asia and Europe can potentially initiate a joint project to solve it on both continents.

Another explanation for Asia's weak consumption is Asia's dizzying growth and the resulting large difference in consumption behavior by generation. Due to a very rapid change in income level, the generational gap in consumption behavior varies much more in most of Asian countries than in any other economies in the world. Let me explain with an example. Korea reached a level of \$20,000 in per capita income in the mid-2000s, 20 years after most of the western European countries. Despite the similar level of income between contemporary Korea and Europe in 1980s, older generations in Korea consume much less than those of Europe in 1980s, as they were much poorer than the older European generation when they were young. Old frugal habits die hard. If rapid economic growth is a reason for weak consumption, then both the European Union and Asia can develop a policy initiative to strengthen financial intermediation and secure liquidity backed by assets in bilateral dialogues or a multilateral arena such as G20.

Thirdly, global warming and climate change ask for intensive cooperation between Asia and Europe. There are, however, a huge number of problems ahead, given the marked difference in approaches to the solution. One possible compromise can be found in cooperation to develop future science and technology. Science parks and other types of research cooperation need to be encouraged to create intersections between Europe and Asia.

The global economy remains plagued by uncertainty. The fall-out from the subprime mortgage episode and the bankrupting of leading investment banks in the United States ignited the global financial crisis. However, the crisis developed out of the major global trend of rash financial deregulation in the 1980s, and institutionalized moral hazard, especially after 2000. The active involvement of budget authorities may have been inevitable to avoid a new depression, but this only led to another fiscal crisis in Europe. Desperate efforts should be made between Asia, Europe and the United States, while the role of Asia and its enhanced cooperation with Europe are of the utmost importance in improving the situation.

But what should this role be, and what cooperative efforts should be made? It is important to work out policy initiatives for global governance. The economic crisis necessitates the creation of new and strong global economic demand. Trade liberalization through bilateral free-trade agreements and multilateral DDA can create new demand from overseas, but more important policy initiatives may lie in bringing confidence into the economy, so that the liquidity hoarded by economic actors returns once more to the economic cycle. This may induce higher rates of inflation, but speedy money circulation will boost the global economy. The G20 governments can work together strongly to present a unified policy front concerning market liberalization, development assistance and the introduction of discreet regulation in financial markets.

Notwithstanding the wide range of potential efforts that can be made between Asia and Europe, nothing can be realized without mutual trust and consensus. Mutual trust can be created when we share common values, and consensus arises when we realize that we are in a same boat. Europe needs to bear in mind that maturity takes time, and explore the existence of common sense in a diverse Asia. Asia needs to overcome its relativism. It also needs to

recognize its growing weight and take a more active part in global affairs as they are directly related to its development. Co-prosperity can be reached through mutual trust and consensus, all of which I want to define as progress.

*The views expressed here are the author's and do not necessarily represent those of the Korea Institute for International Economic Policy.*





## Relations Between Europe and Asia Beyond ASEM

Hong Zhou<sup>1</sup>

The celebration of the 15th anniversary of the ASEM (the Asia-Europe Meeting) has been relatively quiet and partly overshadowed by the global financial crisis, which badly hit all parties, and in particular Europe. When the ASEM was officially established in 1996, Asians saw European integration as an admirable project and a successful model. They saw sharing European experiences and linking Asian integration processes directly to the world's strongest regional power as an important strategic step. In the first years of the ASEM, Europeans contributed a great deal behind the scenes. Fifteen years later, Europe is deeply caught in the sovereign debt crisis. At the same time, multiple bilateralism is making progress at the cost of the multilateralism that was the ASEM's original aim.

Nobody should underestimate the combined size of Asia and Europe: Together they make up 60% of the world's population and 60% of global trade. They jointly create over 50% of the world's GDP, and their economies are highly complementary. To facilitate the interests of its members, ASEM quickly established multilateral contacts and mechanisms in multiple areas and on multiple levels between Asia and Europe, linking politicians and businesses as well as social institutions and people. Though it lacked a secretariat, ASEM has been functioning steadily, pushed by many forces, including businesses as well as political commitments.

The progress of the ASEM process was of course not without disagreements and even crisis, ranging from the controversial membership for

<sup>1</sup> With special thanks to my academic assistant, Dr. Zhang Lei.

Burma to differences over issues of institutionalization. None of these, however, can hinder the development of the ASEM, especially in the economic and trade area, which after all, has been the engine of other advances.

According to a survey commissioned for its 10th anniversary, the ASEM's orientation towards business has given it a low profile, and awareness and knowledge of the organization were minimal in China, even among college students and professionals. By contrast to the far-sightedness and open commitments of both Asian and European political leaders, the Asian population tends to hold more critical views of the ASEM, and the same holds true in Europe. It seems that expectations were set too high at the beginning of the ASEM process to satisfy so many different parties (ASEM 2005). Despite these less positive views of the ASEM, it has actually progressed rapidly and extended in many areas on the two continents.

## ASEM's uniqueness

ASEM has distinctive characteristics compared with Sino-EU, Japan-EU and ASEAN-EU bilateral mechanisms. Firstly, ASEM has a grassroots-based framework and enjoys relatively more popularity while avoiding direct confrontation over controversial issues. ASEM's approach so far has been multipurpose and multifaceted, providing a comprehensive forum for cooperation between the European Union and Asian countries, comprising political, economic and cultural agendas. In light of the ongoing global financial and debt turbulence, the ASEM agenda has highlighted measures to deal with the economic crisis, pushing it from a dialogue or summit forum to a platform facilitating more concrete cooperation and more comprehensive partnership between Asia and Europe. The meetings under the framework of ASEM not only include dialogues between senior officials, ministers and political leaders, but also several concrete projects such as the Trans-Eurasia Information Network (TEIN), the ASEM Trust Fund, the Asia-Europe Foundation (ASEF) and so on. Geographically, ASEM is an interregional forum which consists of the European Commission; the 27 members of the European Union; the 13 members of the ASEAN Plus Three regional

grouping; India, Mongolia and Pakistan (as of 2008), and Australia, Russia and New Zealand (as of 2010).

Secondly, ASEM is a bi-regional or interregional process. It grew out of pre-ASEM intercontinental mechanisms between the European Union and ASEAN. The ASEM is considered by the parties involved to be a way of deepening relations between Asia and Europe at all levels. The interregional nature of ASEM is better illustrated by its coordinator system. ASEM has four coordinators, two from Europe (namely the European Commission and the presidency) and two from East Asia (one from Southeast Asia and one from Northeast Asia). With the exception of the coordinator from the Commission, the other three posts are filled in rotation. These coordinators organize the intra-regional and interregional coordination of the ASEM process (Chen 2005). Furthermore, the ASEM process has become an exercise in regional identity building for Asia, and an exercise in regional identity reinforcement for Europe. To some extent, the ASEM process represents a novel approach to institutionalized international cooperation (Steiner 2000).

Thirdly, the ASEM method is one of multiple-multilateralism. ASEM creates a platform for summit diplomacy where leaders can hold a series of talks with their foreign counterparts. This framework's prime purpose is almost exclusively to foster closer interregional ties between Asia and Europe, or more specifically, between East Asia and the European Union. Moreover, it has been argued that ASEM's cultivation of micro-networking and macro-networking linkages between the two regions provides a firmer platform on which the framework's potential for multilateral utility can be substantively developed. This closely relates to how Asian and European protagonists may establish stronger mutual interests and positions on global multilateral issues in the future (Dent 2004). The Helsinki Declaration identified ASEM's priorities in the second decade after its inauguration as focusing on key policy areas such as strengthening multilateralism and addressing common concerns over issues of global threats (ASEM 2006). What is noticeable is the growth of bilateral activities conducted with bilateral achievements under the ASEM mechanism, although it was designed as a multilateral platform. Such bilateral activities and achievements include growing cooperation in social areas and expanding cultural and people-to-people exchanges.

Last but not least, ASEM contributed to the openness of diplomacy between Europe and Asia, by providing dialogue platforms for open exchanges on all interests common to Asians and Europeans. ASEM is an informal process of dialogue based on equal partnership and enhanced mutual understanding. It can facilitate and stimulate progress in other bilateral and multilateral fora. After years of development, ASEM adopted a consultation and consensus-building approach to replace the strict decision-making methodology often used in a bilateral environment. This informal and non-binding approach adopted equality as a principle. Even though the Europeans take initiatives in principle-making and agenda-setting more often than the Asians and are thus in a position of comparative advantage in rule-making within the ASEM process, this has been done on a normatively equal basis and with an open manner. The comparative disadvantage of Asians in this process mainly resulted from their lack of experience in determining agenda through dialogue and/or in a multilateral setting. The openness within the ASEM is widely seen as dialogue for the sake of dialogue, or dialogue without substance. This phenomenon of “everyone talks and no one listens” has already been criticized (Yeo 2010).

## The EU's bilateral FTAs with Asian countries and their implications

Both the European Union and Asia are key players in the growth of international trade. Taken as an entity, the European Union is by far the largest global trader. Asia on the other hand has entered a period of dramatic economic and social development and has been contributing to the largest share of growth to the global economy since the 1990s (Plummer 2010). With the expectation of further growth in Asia, a potentially huge market is opening up to European exploration. This exploration process has been facilitated by the multilateral platform of the ASEM as described above. But the multilateral process of the ASEM has obviously failed to sufficiently provoke European curiosity and anxiety. Nor has it shown any potential to grow into a European model of a common market. As the Asian integration

process grows slowly, the European Union is redirecting its energy toward bilateral Free Trade Agreements (FTA) with Asian countries, one after another.

Recently, the European Union launched or closed a number of comprehensive FTAs with Asian countries, including South Korea, India, Singapore and Malaysia. The objectives of these bilateral FTAs are clear: To reciprocally liberalize all trade in goods and services and tackle existing and future non-tariff barriers to trade. Both sides of the FTAs claim that such agreements are important stepping stones towards future trade liberalizations and commit them to tackling issues that are not yet ready for multilateral discussions. European and Asian FTA negotiators even talk about surpassing the benefits gained by joining the WTO in order to create a series of new post-WTO norms (EC 2010).

To be more specific: the FTAs between EU and Asian countries aim to deepen bilateral cooperation and strengthen bilateral trade relations that cover a range of issues – trade in goods, rules of origin, trade remedies, trade in services and investment, customs procedures, technical barriers to trade, competition and disputes settlement. It would also cover such trade-related activities as government procurement, intellectual property rights, labor rights and environmental issues. At the launch ceremony of the negotiations for the EU–Singapore FTA, the EU Trade Commissioner Karel De Gucht pointed out that “the proposed free-trade agreement will strengthen economic ties between Singapore and the EU, provide new opportunities for traders and consumers alike, and contribute to generating growth in our economies” (Swire 2010). It seems that the European Union is expecting far more from the FTAs than it can gain from the slow, quiet and rather complicated ASEM processes.

In comparison with the multilateral ASEM process, the bilateral FTAs appear to be more focused on concrete issues. Take the EU–South Korea FTA as an example: The bilateral FTA between the European Union and South Korea, which was signed on October 6, 2010 and already put into effect on July 1, 2011, marks a significant milestone in relations between the two parties. It is the most ambitious trade deal ever negotiated by the European Union with its first Asian trading partner. This long-awaited agreement aims to

eliminate about 98% of import duties and other trade barriers in manufactured goods, agricultural products and services over the next five years. It is expected to create new trade in goods and services worth €19.1 billion for the European Union and save EU exporters €1.6 billion a year. The EU–South Korea FTA will also improve Korean market access to the EU’s service suppliers, notably in the telecommunications, environmental, shipping, financial and legal sectors. Electronics, pharmaceutical and medical device sectors will equally benefit from the removal of non-tariff barriers (Europa 2011).

Economic studies indicate that the overall gains from the 2010 FTA between the EU and South Korea will be broad and significant, resulting in an increase of around 2% in South Korean GDP and a 0.03% – 0.05% increase in the EU GDP (European Parliament 2010: 23-24). The greatest economic impact of this FTA will fall on specific sectors in both economies. The sectors already enjoying comparative advantages are most likely to experience the greatest benefits, while import-sensitive sectors will experience the fewest gains, if not losses (Cooper 2010).

There are of course those who argue that the European Union’s bilateral FTA with South Korea is more about geopolitics than cutting trading costs (Willis 2011). If it is followed by a series of bilateral FTAs between the European Union and Asian countries, the European Union could gain more than it would otherwise attain in a multilateral environment. This gain not only benefits the European Union during the specific period of economic and financial crisis, it may also change the European Union’s image in Asia, transforming it from an active regionalization promoter to a bilateral deal maker.

## The future of Asian-European relations

The question now is what will the European Union’s main strategy be vis-à-vis Asia? Will the European Union continue its multilateral strategy with the ASEM process and use the bilateral FTA as a supplement, or vice versa? What is the relationship between the two trends and how can Asians, as well as

Europeans, benefit from strategy and policy shifts? Or, do the two trends actually complement one another? In other words, can the development of bilateral FTAs run parallel to the full use of the ASEM?

One explanation of the rapid development of the bilateral FTAs may come from the international financial crisis, which has brought adverse effects to the trade volume between Asia and Europe, and resulted in different problems between different trading partners demanding specific but distinctively different negotiations and settlements. The European Union might also have come to the realization that the relationship between the European Union and the ASEAN, and/or 10+1, or 10+3 cannot be a symmetrical one because Asian integration does not fulfill the expectations of the European model. It would thus be more efficient for the European Union to deal with Asian countries one by one than all together.

Should the European Union lean toward bilateralism in Asia, this strategic change would surely have implications for geopolitics in Asia because it would introduce different relations between the European Union and each of the individual Asian countries. Since the mid-1990s, China has had an active role in supporting the ASEAN to construct a regional multilateral structure with Asian characteristics, and Asians have tried hard to maintain a win-win relationship with the European Union via the ASEM. Progress has been made on all fronts including political dialogues, economic, scientific and technological cooperation and cultural exchanges (Zhang 2007). New horizons in the fields of environment, customs, justice and counter-terrorism are open and steady advances have been made. These achievements are in need of further nurturing. Multilateralism is inefficient and requires much more time for decision-making. On the other hand, it can also avoid conflicts by replacing vicious competition with cooperation.

Bilateral agreements are more efficient and make breakthroughs in relations easy. In this way, they can be a useful tool for the European Union during financial and economic downturns. However, bilateral FTAs also have shortcomings, because they can also entail uncertainty, mistrust or even blind competition and therefore should be conducted in a more open manner. A more “open multiple bilateralism,” combined with the ultimate commitment

to “open multilateral regionalism,” can provide better relations between the European Union and Asia.

*The views represented here are the author’s and not those of Chatham House or the European Commission.*

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# Drafting an Agenda for Europe-Asia Cooperation: Thinking Outside the Box

Françoise Nicolas

The Europe-Asia relationship today is clearly perceived to be at a crossroads. After a brief overview of past achievements, this note suggests why and how this partnership could be given new momentum, optimizing the new complementarities between the two partners while contributing as efficiently as possible to improving the quality and effectiveness of global governance mechanisms.

## A traditionally weak partnership

The Eurasian relationship has traditionally been much weaker than either the transatlantic or transpacific (or Asia-Pacific) partnerships, a situation described by Dent (2001) as the “Cinderella complex” (in other words, Europe-Asia playing the role of a poor third relation). In order to fill this void – or rather, as a way to complement the other two sides of the triangle – the European Union and a number of Asian countries decided in 1996 to establish the so-called Asia-Europe Meeting (ASEM) process, an endeavor by the two parties to forge closer interregional relations. Yet despite concrete achievements at the micro-networking level (in particular in the form of person-to-person exchange, exemplified by the Asia-Europe Foundation (ASEF) among other examples), Eurasian links remain today relatively underdeveloped in comparison to their transpacific and transatlantic counterparts.

The causes for the underdeveloped state of this partnership are diverse. A first source can be identified in the lack of historically rooted “togetherness,” or the lack of a strong driving force inherited from the past, in contrast to that which has characterized the transatlantic relationship in particular. In much

the same vein, identifying common interests has also been a difficult task over time. Thirdly, it is worth stressing that the creation of the ASEM was essentially a “reactive policy,” with the group’s first summit serving as a deliberate counterpoint to the new Asia-Pacific Economic Cooperation (APEC) initiative and the growing engagement of the United States in the Asia-Pacific region, which had given rise to some worries. Lastly, the ASEM endeavor was based on deliberately broad and relatively fuzzy objectives. Unlike APEC, ASEM was designed simply as a “process” or dialogue. While this flexibility could in theory have been a point of strength, it in fact showed itself quickly to be a weakness for the initiative. The initial enthusiasm for the project soon cooled, particularly on the European side, leading to clear asymmetry in the level of commitment on the partnership’s two sides.

Indeed, throughout ASEM’s 15 years of existence, European leaders have traditionally been less engaged than their Asian counterparts, with few European heads of state or heads of government participating in the summits. However, very few Asian heads of state or heads of government showed up at the latest summit in Brussels last October, indicating dwindling interest in the process on the Asian side as well.

In addition to the summits, the process has led to a number of meetings outside official governmental circles. Yet while ASEM is doubtlessly an active meeting point for important figures from the two continents, the process is actually perceived differently by different people, with a first group seeing the glass half-empty, so to speak, and another seeing it as half-full. If judged by the number of meetings and official statements produced, ASEM could plausibly be deemed to be a success story, but in fact little has been achieved in terms of tangible agreements (aside from the establishment of an ASEM Foundation and an ASEM Business Forum, as well as various forms of cooperative technology ventures), and a large number of people offer a low assessment of the group’s value as a result.

To be sure, the ASEM as initially created has shown its limitations. While there is no doubt that the Europe-Asia relation has gained importance since the establishment of the ASEM process, it is difficult to determine how much of this change is actually attributable to the ASEM. Other factors were certainly at play, and help account for the intensification of bilateral economic

relations. In particular, the rise in Asia's economic weight and clout has undoubtedly contributed to the dynamism of the relationship.

Yet for all its shortcomings, ASEM constitutes Europe's main multilateral channel of communication with Asia, and it will certainly have to be part of the future cooperative agenda between the two parties.

## The global financial crisis as watershed event

It is the author's conviction that the outbreak of the global financial crisis in 2008 triggered a radical change, leading to the need for a deep rethinking of the Europe-Asia dialogue. To be sure, the shift in the world's economic center of gravity away from Europe and toward Asia has been a gradual phenomenon (as a result of the economic rise of China and – to a lesser extent – India, as well as the very strong economic growth observed in a number of East Asian economies in previous decades), with its origins stretching even to the late 1980s. But the recent crisis confirmed this trend, thus fuelling a sense of urgency.

Asian countries have weathered the financial and economic crisis much better than has Europe, and much better than initially anticipated, with China, India and several members of the Association of Southeast Asian Nations (ASEAN) returning to impressive growth rates. As a result, self-confidence has been on the rise in Asia even as European economies have been subject to mounting challenges. East Asia is now also perceived to be an important potential contributor to Europe's growth. However, East Asian economies will find it difficult to maintain their impressive growth rates in the absence of economic recovery in Europe, and European development aid remains important for Asia's smaller and poorer nations. Thus, the asymmetrical nature of the partnership is being reduced, while complementarities are gaining in importance.

Lastly, another side effect of the recent crisis has been to show that the existing world order, created some 50 years ago, can no longer cope with the new international situation and its difficulties. The Western economies can no

longer hope to impose their way of thinking and unilaterally set the rules of the game without taking full account of Asian partners' interests and priorities.

As a result, there is rising awareness of the two regions' interdependence. In Europe in particular, awareness is rising of the importance of the Europe-Asia relationship, and of the potential gains to be reaped from a better structured and better balanced partnership. In a nutshell, the crisis has given rise to changing (and rising) expectations from the partnership.

To make the best of these new conditions, the two sides must develop a fresh, inclusive approach that focuses on what binds Asia and Europe rather than what divides them. Moreover, Asia and Europe must move ahead with much-needed reform of the international economic and financial architecture, in particular the issue of IMF governance, in such a way as to reflect Asia's rising economic power.

## Toward a new cooperative agenda beyond ASEM

East Asia is becoming increasingly important to the EU's external relations. Not only does trade with East Asia account for over a quarter of the EU's total, but as exemplified by the crisis, an Asia with growing economic clout most certainly has a role to play in stabilizing the global economy. Moreover, the EU also has an interest in ensuring stability in Asia.

Europe and Asia thus each have individual and cooperative roles in contributing to a more stable world order and a more prosperous world economy. The challenge for the two partners today is finding the most appropriate way of achieving these goals. The two partners should capitalize on the current crisis-driven change in mindset and try to avoid replicating earlier mistakes, in part by pursuing concrete and perhaps more focused endeavors.

In order to achieve this, changes will be required in the form of cooperation between Asian and European countries, as well as in the direction of their cooperative efforts. Most importantly, a multilayered and multipronged approach to cooperation between the two regions must be developed.

While the main focus has to date been placed on the ASEM dialogue, this approach is too limited, for the reasons highlighted above. The ASEM process has demonstrably failed to deliver on its promises, and global conditions have changed since its inception. Of course, this does not mean that the ASEM as it currently exists should be abandoned altogether, as it remains an important and useful channel. However, parallel bilateral initiatives should in some cases be developed as complementary mechanisms. Particular emphasis should be placed on a small number of critical bilateral relationships such as China-Europe or India-Europe, with a focus on what might be achieved by engaging in closer cooperation with individual partners in this way.

Another important objective should be to develop relationships that go beyond the limited capacities of a “process” or “dialogue.” Although the function of ASEM as a “talk shop” is certainly useful in helping to enhance mutual understanding and identify common priorities, it remains unsatisfactory in terms of concrete achievements. In other words, the two partners should aim at going beyond information-sharing to the point of tangible problem-solving. This point is of course closely related to the previous one, as concrete initiatives are likely to be easier to conclude on a bilateral basis, rather than on an interregional level.

In this regard, a pragmatic focus on functional cooperation between a select group of countries should in some cases take precedence over broader but shallower discussions involving all the countries in the two regions. Naturally, this approach will pose significant challenges in terms of maintaining coherence, or at least avoiding major inconsistencies, between the various levels of cooperation.

Within this cooperative sphere, heavy emphasis should be placed on issues of global governance. As noted by Yeo (2011), this is an area within which ASEM has had little relevance or has simply failed to deliver. Indeed, ASEM has never succeeded in coordinating or harmonizing the interests of its members so as to produce a common position in global forums such as the United Nations or the World Trade Organization. But though ASEM may not be an appropriate forum for negotiations, it may provide a home for discussions between Europeans and Asians that lay the groundwork for negotiations elsewhere. The “informal minilateralism” exemplified by ASEM

should be seen as a new component of the larger multilateral system, aimed at complementing the work of traditional multilateral organizations and – when relevant – at supporting their reforms.

In the current international context, strengthening all instruments of global governance should be a key goal, since this is the best way of enhancing the stability and predictability of the world economic system and of the world order at large. European and Asian countries are fully aware of the particular responsibility they hold in this regard. Whether through ASEM or other forms of cooperation, these two partners acting together could set the international agenda, issuing recommendations or laying the groundwork for further cooperation within formal multilateral forums. Pursued in this way, the Europe-Asia partnership would act as a rationalizing agenda-setting actor vis-à-vis other international institutions or groupings. Establishing this agenda-setting function for ASEM could also enhance the effectiveness of the process overall, as concrete results would most likely be achieved in the context of international organizations.

In terms of areas of cooperation, no major issue of global interest should be excluded from the scope of the partnership. Alongside trade and financial issues, all the key global challenges of the 21st century – sustainable development, climate change, the fight against terrorism, anti-piracy measures, etc. – should be part of the agenda.

However, it is important to acknowledge that the European Union's structure makes it difficult to envisage tighter political cooperation. The new European External Action Service may not be in a position to engage all countries on sensitive issues. In the traditional security area, for instance, there is little chance that the EU will be in a position to offer much, as this would require complex changes in the way the EU operates. As a result, the scope of cooperation is likely to remain limited to relatively "technical" issues, while issues related to so-called high politics will be dealt with exclusively at the bilateral level. But here again, the region-to-region dialogue could and should serve as a testing ground for deeper and more delicate discussions ahead.

These observations are mere suggestions as to ways the Europe-Asia partnership might be pushed forward in coming years. A number of difficult



issues not discussed here remain of critical importance, including the potential integration of Russia and harmonization with other transregional relationships such as the Asia-Pacific and transatlantic partnerships. More outside-the-box thinking will definitely be called for in the coming years.

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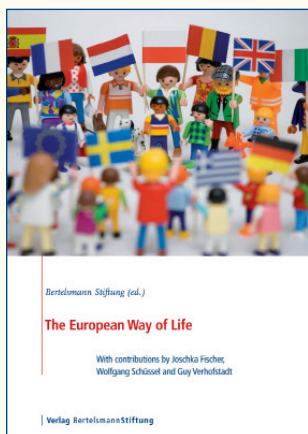
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