

# A EUROPEAN STRATEGY TOWARDS EAST ASIA

MOVING FROM GOOD INTENTIONS TO ACTION

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REPORT BY

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# EXECUTIVE SUMMARY

Despite the global power shift from West to East and almost everyone in the EU recognising that the importance of Asia is growing, there has been a lack of willingness to devote time, energy and resources to deepening relations with the region. There has been a lack of a unified strategic vision for the region, and due to internal policy divisions and institutional squabbles, the EU has failed to become a strong, cohesive actor. Thus, the EU needs to prioritise and focus if it is to be able to successfully pursue a strategy towards East Asia.

East Asia is home to the fastest growing economies in the world. It contains both like-minded partners, economic powerhouses, and a number of developing countries with an interest in learning from the EU experiences. The EU has a unique advantage in the region; besides having economic weight it is seen as a non-threatening partner in the region, giving a comparative advantage over other major powers such as the US and China. However, the success of the EU's strategy requires a unified approach with clear prioritisation of areas where the EU realistically can have an impact. Emphasis should be put on enhancing the bilateral trade and investment conditions, and pursuing principled policies in particular towards Southeast Asian nations that are going through a democratisation process. Being a region with widespread ecological problems, the impact of knowledge and technology transfers would benefit the EU's global interests in the environment, energy and climate change areas, as a more sustainable East Asia would have direct impact on a global scale.

When designing an EU strategy towards East Asia it is important to start from where we are, even if that is not where we would like to be. The European Union is not viewed as a serious political or security actor in East Asia among the regional countries. It is best understood as an outside-actor, with no hard power in the region. However, this is not necessarily a bad thing. Instead, the EU has a unique position, being seen as a non-threatening partner. If used wisely, the role as a non-threatening partner can, together with the EU's economic weight, secure a leading position together with China and the US not only in the region but in the world.

There are many areas of shared concern between the EU and the US. However, the EU should be cautious when cooperating with the US to avoid losing its credibility and becoming irrelevant as an independent actor. Despite sharing principles, there are major differences between the EU's attempt to combine principled policies with economic and security concerns, and US policy, which, in contrast, focuses on the security first, almost always ahead of democracy.

The strengthening of bilateral trade and investment flows, including interlinked areas such as improved market access and investment conditions, should be the main focus of the EU's strategy towards East Asia. The pursuit of Free Trade Agreements (FTA) with East Asian counterparts should be continued, with special emphasis on Japan and Indonesia. The EU should avoid making economic concessions in exchange for concessions on principles. The current practice of pursuing policies aimed at maximising European access and competitiveness rather than pursuing multilateralism for its own sake should be continued.

The EU should be selective in pursuing principled policies, to create a greater impact for those policies and to avoid undermining either its role in the region or the bilateral trade and investment relations. The EU should focus on cooperation with like-minded partners (Japan, South Korea and the ASEAN countries). Such a focus will have the best possible spill-over effects in the region, and globally, as East Asian partners will also benefit the EU's work on the global level.

To develop EU-China relations is essential, with China already being the world's 2nd largest economy and the EU being China's largest trading partner. Being a country with widespread ecological problems, the impact of knowledge and technology transfers would benefit the EU's global interests in the environment, energy and climate change areas, as a more sustainable China would have direct impact on a global scale. The China strategy should stand on three legs; economic cooperation – with a focus on protecting European interests such as investments and intellectual property rights as well cooperation around green technology – people-to-people exchanges, and the

strengthening of the strategic partnership. For the latter to succeed there is a need to overcome diverging value expectations, and to try to reach a pragmatic consensus on how to make Beijing and the EU's policies complementary. All the above needs to be accomplished while the EU continues to be vocal concerning the human rights situation in China.

It is important to recognise that East Asia is not only China. The EU should prioritise relations with the Association of South East Asian Nations (ASEAN). After a long period of scepticism, ASEAN has opened up to learning from the EU experience, making it a potentially major success in the EU's global strategy. Particular emphasis should be put on Indonesia, one

of the region's most democratic countries and home to the largest Muslim population in the world. Relations with Japan, South Korea and Taiwan should be enhanced – these are partners that are not only major economic powers, but also ones with whom the EU shares similar values and similar challenges.

It is in the EU's interest to contribute to the safeguarding of regional peace and security. The EU should work together with regional partners, in particular ASEAN, and the US on issues concerning regional peace and security on all levels, including, but not limited to, forums such as the ASEAN Regional Forum and East Asia Summit.

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## INTRODUCING EU-EAST ASIA RELATIONS

Despite the global power shift from West to East, a unified strategic vision for the East Asian region has so far been missing.<sup>[1]</sup> It is not that there has not been a lack of ambition, with a strategic framework for EU-Asia relations being proposed by the European Commission in 2001, stressing the core objective of ‘strengthening the EU’s political and economic presence across the region, and raising this to a level commensurate with the growing global weight of an enlarged EU’.<sup>[2]</sup> The 2001 communication was followed by a communication on the EU’s relations with South-east Asia and a policy paper on China in 2003.<sup>[3]</sup> Four years later, in December 2007, the council approved policy guidelines for East Asia (reviewed in 2012 with minor changes).<sup>[4]</sup> These are the only guidelines for any region in the world. Nevertheless, as argued by Fraser Cameron, despite almost everyone in the EU recognising that the importance of Asia is growing, there has been a lack of willingness to devote time, energy and resources to deepening relations with the region.<sup>[5]</sup> There has been a lack of a unified strategic vision for the region, and due to internal policy divisions and institutional squabbles, the EU has failed to become a strong, cohesive, actor. Thus, the EU needs to prioritise and focus if it is to be able to successfully pursue a strategy towards East Asia.

In this paper I will identify a number of selected areas that should be the focus of the EU’s East Asia strategy. These are areas that fulfil three criteria:

1. they are among the most important ones for the European Union;
2. the EU is likely to have an impact, and
3. the EU involvement will create concrete benefits for the Union as a whole either internally or for its credibility as an international actor.

For the EU’s strategy to be successful, such a prioritisation exercise is needed. The current 20 pages foreign policy guidelines are simply too broad and ambitious to be successfully implemented, unless the EU shifts its overall foreign policy focus to East Asia.

Such a shift is unrealistic considering the EU’s both more pressing and geographically closer problems and challenges. Thus, not surprisingly, the policy guidelines have not been very actively pursued, and several of the issues have been raised pro forma rather than as an attempt to develop actual policy approaches. This is most unfortunate, as the East Asian region contains the world’s largest population and is home to the fastest growing economies and among the fastest growing export markets in the world.<sup>[6]</sup> It is also a region where there is a high possibility to have a normative impact, as it offers both like-minded partners and a number of developing countries with an interest in democratisation, the rule of law and the building of a civil society. In fact, the EU’s presence is even sought after by the Southeast Asian countries, they being interested both in learning from the EU experience and in using the EU as an outside actor to balance against Chinese and US influence.

This said, this paper will use the 2012 global strategy as its starting point. The problem is not an inability from the EU side to analyse the East Asian situation, but to establish priorities and to find, commit to and implement a coherent strategy among the 27 EU members. This paper will first discuss the EU’s role in Asia, which must be understood if an EU strategy is to be realistic – there is a need to start from where we are, not where we would like to be. The following two sections will look at trade and investment relations and the EU’s role as an exporter of norms and principles. Thereafter, in section five, focus will move to the EU’s strategy towards China, while section six moves beyond China, looking at other potential key partners in the region. Next, the role of the EU for regional peace, security and sustainable development will be analysed, before conclusions are drawn.

- The EU needs to prioritise and focus if it is to be able to successfully pursue an East Asian strategy.

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## UNDERSTANDING AND ACCEPTING THE EU'S ROLE IN EAST ASIA

When designing an EU strategy towards East Asia it is important to start from where we are, even if that is not where we would like to be. The European Union is not viewed as a serious political or security actor in East Asia among the regional countries. It is best understood as an outside-actor, with no hard power in the region. The EU cannot, and will never be able to, compete with the American or Chinese roles in the region. However, this is not necessarily a bad thing. Instead, the EU has a unique position, being seen as a non-threatening partner. Furthermore, the EU does not polarise regional domestic opinions in the same way that the US and China do. As a key market, trader and investor in the region, the EU also has economic power, making it a counterweight to China and the US, in particular for Southeast Asian countries. If used wisely, the role as a non-threatening partner can, together with the EU's economic weight, secure a leading position together with China and the US not only in the region but in the world. If used less wisely, the EU will, at best, be a second tier power together with the other G20 countries.<sup>[7]</sup>

When developing its East Asia strategy, the EU should be cautious of working too closely with the US. The EU can never compete with the US, and risks becoming nothing more than an irrelevant ally of the US in the region, possibly even being seen as a US deputy and only being credited with the negative matters related to Washington's East Asia policy

and behaviour. Despite sharing principles with the US, there is a clear division between their East Asian policy priorities. The EU tries to combine principled policies with economic and security concerns. In contrast, the US maintains a forward military deployment in the region and its policy focuses on security first vis-a-vis democracy first.<sup>[8]</sup> Security first has been winning in all cases with the possible exception of Burma/Myanmar. Security first does not only go against many of the EU's interests, it also risks undermining the EU's potential to utilise its unique role as neutral / non-threatening party. This is not to say that the EU should not cooperate with the US, as there are many areas of shared concern, but that the EU should be cautious so as to avoid losing its credibility and becoming irrelevant as an independent actor.

- The EU is not and will never be a major power in East Asia.
- The EU has a unique position as a non-threatening partner that if used together with its economic weight can secure a leading position for the EU in the region and beyond.
- The EU should be cautious when cooperating with the US, to avoid losing its credibility as a non-threatening partner and consequently risking becoming irrelevant as an independent actor.

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## TRADE AND COMMERCE: BE PRAGMATIC AND LOOK BEYOND CHINA

The strengthening of bilateral trade and investment flows, including interlinked areas such as improved market access and investment conditions, should be the main focus of the EU's strategy towards East Asia. The EU has major direct interests at stake in the region. Being the home of some of the world's largest and fastest growing economies, East Asia

accounted for about one fifth of global GDP in 2010 and for about 28% of the EU's global trade in goods and services. In fact, the EU's trade with East Asia is today significantly larger than its trans-Atlantic trade (27.9 % vs. 22.7%). China has become the EU's second largest trading partner, alone accounting for 13.9% of total trade, just a fraction behind the United

States (14.4%) (ASEAN represents 5.2% of our total trade and Japan 3.8%). The EU is a major source of investment in East Asia, and vice versa; during the 2006 to 2009 period, East Asia accounted for 7.7% of outward and 6.9% of inward investments.<sup>[9]</sup>

Trade and commerce is not only about size. It is also an area where all the 27 EU members agree on the importance. This makes it an area where the EU can negotiate with a clear mandate, and thus an area where an EU strategy can be potentially very successful. Moreover trade policy is an area that is in the exclusive power of the EU, making negotiations on the strengthening of bilateral trade and investment cooperation flows and agreements to improved market access and investment conditions an area where the EU has the leverage needed for efficient negotiations on behalf of the member collective.<sup>[10]</sup>

The principal focus should be to pursue negotiations for beneficial free trade agreements.<sup>[11]</sup> For example, it has been estimated that if an FTA can be reached with Japan it would boost Europe's economy by 0.8% and EU exports to Japan by 32.7%, and create 420,000 additional jobs in the EU.<sup>[12]</sup> In these negotiations the EU should pursue a tough rather than accommodating negotiation strategy to ensure economic benefits for the EU members. Although negotiations on political and normative issues can very well be conducted in parallel with the FTA negotiations, as was done when negotiating with South Korea, trade concessions should not be made in exchange for concessions on political issues. Instead, trust needs to be placed in the long-term benefits from economic growth and the development of an open and free market also with regard to democracy, the rule of law, and respect for human rights and fundamental freedoms.

This is not to say that FTA negotiations should be pursued in total separation from issues of principle. Negotiations can be conditioned on certain basic principles and values being in existence before starting a FTA negotiation, or before signing a final agreement. But the EU should as a rule not make economic concessions in exchange for promises from the counterpart of concessions on principles.

Here a good starting point is to continue the existing practice of giving preference to FTA negotiations with like-minded countries like South Korea, Japan, and a number of countries that have shown an interest in moving towards a more democratic and free society, such as Thailand and Indonesia.

Both the EU and its member states need to understand and acknowledge that the East Asian counterparts are not passive recipients, but have their own aims and strategies. In the case of the major countries they have been, and will continue to be, willing to assert or defend their own interests in the face of European pressure, regardless of the negotiations being on the bilateral, multilateral or interregional level.<sup>[13]</sup> Thus, the current trend whereby the EU, due to external and internal pressures, is more likely to pursue policies aimed at maximising European access and competitiveness rather than pursuing multilateralism for its own sake, should be encouraged.<sup>[14]</sup> This is the path to be pursued, as if not, the EU will be left behind both economically and as a global actor. The EU cannot go back to its historically rather idealistic policy, as a multipolar world is developing where rising powers with great potential and ambition are doing their utmost to gain the position they feel is appropriate, but also to change the system of international governance in a way that better takes their interests into account.

However, for the EU's economic strategy to be as successful as possible it is essential that the recent resurgence of geo-economics, with member states focusing on their own bilateral agendas in pursuit of narrow national interests,<sup>[15]</sup> is contained. This path is short-sighted, as the East Asian counterparts have shown that they have mastered playing divide and rule with EU member states.

- Continue the pursuit of FTAs with East Asian counterparts, with special emphasis on Japan and Indonesia.
- Do not make economic concessions in exchange for concessions on principles. The EU should continue the current practice of pursuing policies aimed at maximising European access and competitiveness rather than pursuing multilateralism for its own sake.

### **PRINCIPLES: HOW CAN THE EU BE A SUCCESSFUL NORM EXPORTER?**

The European Union is a principled organisation founded on and emphasising shared principles, values and norms. These principles are not only streamed through EU policies, but they are actively promoted in the EU's external relations. This is also the case with regard to the foreign and security policy in East Asia where fundamental European principles, values and norms form the basis of how the EU interests are de-

defined and how the key challenges and opportunities in East Asia are stipulated. It is indicative of this that the objective to strengthen bilateral trade and investment flows, the most pragmatic goal, was not part of the section in the 2007 version of the guidelines and is placed last in the updated 2012 version.<sup>[16]</sup>

The EU's policy of norm export is problematic in an Asian context. The combination of a commitment to principles and a belief that one has not only a right, but arguably also a duty, to at least try to influence other countries, is the opposite of the Asian perspective. The fact that such policies are frowned upon among Asian countries, in combination with new or emerging foreign policy actors driven by other normative principles, creates a challenge to the EU's ability to successfully pursue norm export. One example is China, which asserts its own normative system in its own right. Reinforced by its rising influence and presence around the world, China presents a formidable challenge to the EU.<sup>[17]</sup>

Despite being important for the EU, if a policy of norm export is pursued too hard, or in the wrong way, the EU will simply be left behind, becoming an irrelevant player in East Asia. Such a scenario risks not only the loss of substantial economic gains, but also the undermining of the EU's role in East Asia and possibly also in the international global governance system. As virtually all other countries pursue a very pragmatic policy, focusing on their own gains, the EU cannot afford to be the exception. Furthermore, as there are differences in opinion among EU members on the importance of fundamental principles such as human rights in foreign policy, a too rigid approach at EU level would risk making the EU the target of divide and rule policies from the East Asian countries.

### WHAT PRINCIPLES SHOULD THE EU EXPORT?

The EU should be selective in pursuing principled policies, to create a greater impact for those policies and to avoid undermining either its role in the region or the bilateral trade and investment relations.

When seeking to export norms, the EU should emphasise cooperation with like-minded partners. South Korea, Japan and the ASEAN countries are good examples here, being partners with whom cooperation will benefit the promotion of shared principles both in the region and on the global level. In fact, many Southeast Asian countries are in a process of economic and political transformation, having an interest in democratisation and related principles, and an in-

terest in learning from EU experiences. In this region norm export is not only possible, but also welcome. It will also contribute to political stability and economic prosperity. This way a good example is created, giving the EU credibility in the region and on the global level.

In the context of East Asia, the most efficient strategy would be to focus on the promotion of regional integration, as there is an interest in the region to learn from the EU regionalisation process. As part of this strategy, the EU should try to emphasise the development and consolidation of democracy and the rule of law, though there is a need to be sensitive to local contexts to avoid being seen as a colonial power trying to export western values. Human rights and fundamental freedoms should be emphasised on all levels, although the EU should be pragmatic in finding the best ways to promote these values in each case. Sometimes a focus on civil society development and NGO activities works best, while at other times pressure on the national level is the path to pursue. Actual change is simply more important than being able to check off the human rights checkbox after a visit, or being able to say that a human rights dialogue is ongoing despite a lack of results, or simply creating a feeling of at least having tried.

To focus on the creation and institutionalisation of favourable conditions for free trade and free markets is an important catalyst for norm change. Increased bilateral trade, better market access conditions for enhanced economic cooperation can, if anything, benefit areas such as poverty reduction, economic imbalances, health issues and the demand for democracy, rule of law, human rights and fundamental freedoms. Over time, with increasing levels of prosperity, it is also the way to create an interest in addressing other global challenges such as energy security and climate change and environmental problems.

The EU should also continue to work for the preservation of peace and strengthening of international security, in accordance with the principles of the UN Charter, the promotion of a rule-based international system, and the promotion of non-proliferation of weapons of mass destruction. However, these are areas best pursued on the global level and in multilateral institutions. When possible this should be done in cooperation with like-minded East Asian partners.

- The EU should be selective in pursuing principled policies, to create a greater impact for those policies and avoid undermining either its role in the region or the bilateral trade and investment relations.



- The EU should be selective in what principles to export, focusing on maximising actual change.
- The EU should focus on cooperation with like-minded partners (Japan, South Korea and ASEAN

countries). Such a focus will have the best possible spill-over effects both in the region, and globally, as East Asian partners will also benefit the EU's work on the global level.

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## THE CHINA CHALLENGE

Economic and political ties with China intensified in the early 2000s. This period was considered by many to be a honeymoon period, and at the time some even expected a new axis to be formed between China and the EU.<sup>[18]</sup> This axis did not develop, and few common EU-Chinese long-term interests have been identified.<sup>[19]</sup> Where joint priorities can be found, they are mostly in the economic sector and it has always been mutual economic benefit that has driven the relationship. The economic sector is also an area where expectations have been realised, with China by 2012 becoming the EU's second largest trading partner and its biggest source of imports. In fact, the trade in goods between the two increased by as much as 400 % between 2000 and 2010.<sup>[20]</sup>

When developing the EU's strategy towards China, it is important to remember that China has not only increased in terms of economic size, but there has also been a move towards the higher end of the value-added chain. This change means that the economic complementarity between China's and the EU's exports has decreased from 85% in 2000 to 65% in 2010.<sup>[21]</sup> This means that the overlap of exports has risen from 15 % to 35 %. As a result, the competition today is more often on the same level, and an EU relationship with China has become a delicate balance between competition and cooperation. The decreasing complementarity is not the only problem, as there are tensions over issues such as Chinese trade practices, respect for intellectual property rights, and WTO obligations.<sup>[22]</sup>

In 2003, the EU and China became strategic partners, though the partnership has never been codified. In fact, it is fair to say that no real strategic relationship exists. As argued by Gustaaf Geeraerts, for there to be successful long-term relations, there is a need for both stakeholders to 'engage in overcoming diverging value expectations and try to reach a pragmatic consensus on how to make policy complementary and mutually supportive'.<sup>[23]</sup> They need to define

what they consider to be the main interests driving collaboration, in order to be able to build a real strategic partnership.<sup>[24]</sup>

If the EU wants to develop a strategic partnership beyond economic relations two steps need to be taken on the EU side and one external condition needs to be fulfilled. First, the EU needs to look inwards to develop itself as a more capable international actor with explicit collective interests and goals. This is no easy task, but as long as it does not happen, China will continue to play divide and rule with the EU members. Thereafter, the EU must engage China constructively, finding issues and interests that bind the two together and that can be jointly pursued in the international governance structure. However, this is only possible if China itself clarifies and articulates how it sees its role in the world and its relationship with Europe.

What should form a crucial part of the EU's strategy towards China, and in all negotiations with China, is the understanding that China in fact is not as all-powerful as it is often portrayed. China has major internal challenges and weaknesses, and both the EU and China are economically dependent on the other. It should be remembered that the EU is China's largest trading partner and that China cannot count on its economic development being indefinitely supported by a rising trade surplus. In fact, China needs to move from a fixed asset investment-based economy, to one based on domestic consumption.<sup>[25]</sup> This process includes a need to move from an efficiency-driven to an innovation-based economy,<sup>[26]</sup> an area where EU experiences and expertise have a high potential of being useful.

The EU's China strategy should be pragmatic. It must not be naive when engaging China. Beijing is pragmatic and solely focused on its national interest. It does its utmost to get as much as possible, in any way possible. China has to be judged from actual behaviour, not from the face value of its statements or positions. It is important to understand and remember that China works as

a collective, with all parts of society showing a united front when needed. Even more important, it is essential to secure economic growth and handle the major domestic problems related to internal economic divisions, ecological challenges and energy security in order to secure regime survival, which is the primary goal of the ruling Chinese Communist Party. If negotiations with China are handled skilfully, there is substantial negotiation leverage for the EU. However, this leverage risks being undermined as long as the EU members cannot agree on a clear collective strategy. Without a collective strategy, China will continue to successfully play EU members off against each other.

China is a country with widespread ecological problems, with issues such as environmental degradation, energy inefficiency and water management being of great concern. These are areas where European expertise and technological solutions would benefit China. The impact of knowledge and technology transfers in these areas would benefit the EU's global interests in the environment, energy and climate change areas, as a more sustainable China would have a real impact on the global scale. For example, helping China with taking a low emission path is an area where the EU has the know-how, and where the effects would be global. However, European technologies and know-how should not be given to China for free. They could, but need not be, subsidised. If the latter, the decision should be taken with open eyes.

One area that should be promoted and invested in is EU-China people-to-people and cultural exchanges. This includes all forms of exchanges, from tourism, students and civil society organisations, to research cooperation and exchanges in the government and military sector. The reason these forms of exchanges are of particular importance in the case of China is that the EU needs to see its relation with China from a long-term perspective. China will be an important international actor for the foreseeable future. People-to-people and cultural exchanges are ways to create deep

linkages and understandings between the EU and China, building a foundation for peaceful and prosperous relations. The EU here has an advantage over most of its international competition, being able to build on Europe's long history of civilisation and centuries-old relations with China. As the EU is not a political actor in the region, this is also an excellent way to increase the Chinese population's consciousness of Europe.

In conclusion, the China strategy should stand on three legs; economic cooperation – with a focus on protecting European business investments and intellectual property rights as well cooperation around green technology – people-to-people exchanges, and the strengthening of the strategic partnership. For the latter to succeed there is a need to overcome diverging value expectations, and to reach a pragmatic consensus on how to make Beijing and the EU's policies complementary. All the above needs to be accomplished while the EU continues to be vocal concerning the human rights situation in China.

- Understand China's weaknesses and pragmatism (and be pragmatic back).
- Focus on developing the economic relations with emphasis on ensuring mutual gains.
- There is a need for the EU to look inwards to develop itself as a more capable international actor for the EU-China strategic partnership to be effective.
- Addressing the widespread ecological problems through knowledge and technology transfers would benefit the EU's global interests in the environment, energy and climate change areas, as a more sustainable China would have direct impact on a global scale.
- Promote and invest in all forms of people-to-people and cultural exchanges.

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## LOOKING BEYOND CHINA: OTHER KEY PARTNERS

While China is important for the EU, it is by no means the only important partner in the region. In fact, for the EU there are a number of like-minded partners who share common interests and values, while at the same time being important economic actors in the

region: Japan, ASEAN, Indonesia, South Korea and Taiwan. Cooperating with these partners will benefit the EU's interests not only on bilateral and regional levels, but also in its attempts to be influential in the international governance system.

## THE ASSOCIATION OF SOUTH EAST ASIAN NATIONS (ASEAN)

The Association of South East Asian Nations (ASEAN) is something unique in that it is an Asian regional organisation that not only works well, but is also interested in learning from European experiences. Furthermore, though the degree varies, the 10 member countries are in a process of economic and democratic transition, thus being good partners for the promotion of the EU's principles, norms and values. If this were not enough to legitimise prioritising the development of EU-ASEAN relations, ASEAN is also the EU's 3rd largest trading partner, only surpassed by China and the US, with the total trade in goods and service surpassing €200 billion in 2011. In fact, for ASEAN only China is a larger trading partner than the EU, which accounts for around 11% of ASEAN trade. The EU is also ASEAN's largest investor, with its companies having invested around €9 billion annually on average between 2000 and 2009.<sup>[27]</sup>

After a long period of scepticism towards, and even outright rejection of, the EU experience and model of regional integration, in recent years ASEAN has begun to show an interest in it.<sup>[28]</sup> Representatives and leaders from ASEAN and its member countries have started to openly refer to the EU as a role model or inspiration for ASEAN to follow. There has been strong support for the idea of taking cues from the EU experience, while at the same time avoiding the EU's mistakes. This new willingness creates an excellent opportunity to put strategic focus onto ASEAN.

Besides creating a more stable, prosperous and hopefully increasingly democratic Southeast Asia, engaging ASEAN would help balance the US and Chinese influences. This would in turn create space for the EU as an actor in the region and beyond. There is also a real possibility that engaging ASEAN would have a positive impact on human rights and other normative practices. In the case of human rights, it is encouraging to see that a regional human rights mechanism was established in 2009, the ASEAN intergovernmental Commission on Human Rights (AICHR), which aims to protect and promote human rights in Southeast Asia.<sup>[29]</sup> Another area where there is interest to pursue cooperation, and where there could be mutual gains, is ASEAN's attempts to liberalise its financial services and to encourage free flows of trade and investments. In short, ASEAN is an ideal partner for the EU.

There are also potential positive spill-over effects from engaging ASEAN, as it might help open up the

FTA and other negotiations with China. If the EU were successful in developing closer ties with the lion's share of the ASEAN members, in particular in the economic sphere, it is not farfetched to expect China to not want to risk being left too far behind.

- To develop EU-ASEAN relations should be a priority in the EU's Asia strategy (after China). Commitment to, and investment in EU-ASEAN relations is something that has the real potential of becoming the foremost success story of the EU's global strategy in 20 years' time.

## JAPAN

Cooperation and dialogues between the EU and Japan have been characterised by an atmosphere of relative indifference.<sup>[30]</sup> This is unfortunate, as Japan is a suitable partner for the EU. It is not only a major economic power, but is the fourth largest economy in the world. In fact, together the EU and Japan account for 40% of global GDP, nearly 30% of world trade, and half of the world's outflow of foreign direct investment.<sup>[31]</sup> Japan and the EU also share similar values: respect for human rights, fundamental freedoms, democracy and the rule of law. Furthermore, the two share a somewhat similar stage of development, and the two societies face many similar challenges where we can learn from each other. In addition, the EU and Japan both actively work for peace and well-being for the world. In short, Japan is an ideal partner for the EU to increase its global as well as regional reach. The EU should be more proactive in its engagement with Japan.

- Be proactive and increase cooperation with Japan on all levels, including negotiating a FTA agreement.
- Try to work together with Japan to increase the EU's global and regional reach.

## INDONESIA

Indonesia has been a forgotten part of Asia despite being the third largest Asian nation and the home of the largest Muslim population in the world. It is an emerging global power, being a member of G20 with an estimated sustainable growth expectation of 7%.<sup>[32]</sup> Moreover, it is the natural leader for ASEAN, with 40% of its population and 35% of its economy. Nevertheless, it only accounts for 1 % of EU imports and 0.5% of exports, making it the 19th largest import source and 35th largest export destination. Needless to say, there is untapped potential here.

Despite one-and-a-half decades of an extraordinary transformation process into the third or fourth largest democratic country in the world since the 1997-1998 reformasi, the 'Indonesian spring', Indonesia has not attracted any substantial interest in the EU. The lack of interest is in part the result of no EU member giving special priority to Indonesia and a lack of influential advocacy groups in European civil society maintaining Indonesia as a priority area.<sup>[33]</sup> This is most unfortunate, as Indonesia has transformed into the region's most democratic country, and furthermore shows a promising human rights record.

In 2009 the EU signed a comprehensive partnership and cooperation agreement.<sup>[34]</sup> However, it has still to be ratified. This agreement, when ratified, should be the first step for the development of better and more extensive EU-Indonesian relations in all areas. Considering its economic might and its high level of credibility within ASEAN together with its being a democratic country, there is great potential to work together with Indonesia to facilitate democratic transitions and political stability in Southeast Asia. In short, it is well beyond time to move from diplomatic pleasantries to action, increasing the expectations and content of EU-Indonesian relations.

- Utilise the large untapped potential in the EU-Indonesia trade relations.
- Work together with Indonesia to facilitate democratic transitions and political stability in Southeast Asia.

## SOUTH KOREA

The EU should continue its close cooperation with South Korea. South Korea has emerged as an economic powerhouse, by 2011 being the 12th largest economy in the world with a GDP per capita reaching USD 32,100, only USD 2,400 behind the EU average of USD 34,500.<sup>[35]</sup> South Korea is the EU's 10th largest trade partner, while the EU is South Korea's 4th largest export destination (after China, Japan and the US) and the EU is the largest source of investment in South Korea.<sup>[36]</sup> In short, South Korea has emerged as an economic success story and a major economic partner for the EU.

The EU-South Korea partnership goes beyond trade, as it is one of two like-minded partners with many shared interests and values. South Korea is one of the EU's 10 strategic partners,<sup>[37]</sup> and a new framework agreement and an FTA agreement was signed

in 2010. This FTA was the first agreement completed in a new generation of Free Trade Agreements launched by the EU in 2007. South Korea is aspiring to play a role in the international global governance system. For example, Korea has shown global leadership when pushing development policy onto the agenda of the G20 meetings (supported by the EU) and it has been promoting itself as a model to overcome the 2009 worldwide economic crisis.

The EU should deepen its engagement with South Korea. It is crucial that EU-South Korean relations do not end up in the backwater of EU-China, EU-Japan and EU-ASEAN relations. As argued by Uwe Wissenbach, Head of the Political Section at the EU delegation to South Korea, '[i]n a way, South Korea is at a crossroads and working out a position as 'bridge builder', keeping a foot in the camp of the Western world and a foot in the developing world.'<sup>[38]</sup> The EU should do its utmost to help facilitate this position.

- The EU should deepen its bilateral engagement with South Korea in all spheres.
- Sharing similar values and ambitions, South Korea and the EU should work together in the international governance system to promote areas of shared concern.
- It is crucial that EU-South Korean relations do not end up in the backwater of EU-China, EU-Japan and EU-ASEAN relations.

## TAIWAN

While pursuing its one-China policy, the EU should work to develop as good relations as possible with Taiwan. The EU now recognises Taiwan as an economic and commercial entity, and it is the EU's 4th largest market in Asia while the EU is the largest source of investment and 4th largest export market for Taiwan.<sup>[39]</sup> These economic relations should be expanded. The EU should also encourage all forms of positive development between mainland China and Taiwan, including economic and people-to-people exchange initiatives. This is the best way to ensure lasting peace and prosperity in Taiwan.

- Develop EU-Taiwan economic cooperation.
- Encourage cross-strait cooperation.

## THE EU'S ROLE FOR PEACE, SECURITY AND SUSTAINABLE DEVELOPMENT

It is in the EU's interest to contribute to the safeguarding of regional peace and security. The EU should work together with regional partners, in particular ASEAN, and the US to prevent the proliferation of weapons of mass destruction, with emphasis on resolving the North Korean nuclear conflict. China and ASEAN should be encouraged to agree on a code of conduct to resolve the South China Sea disputes. Joint efforts should be made to develop capacity for counter-piracy measures and maritime security issues, with focus on the development of codes of conduct and international law. Cooperation is also needed to fight transnational crime, terrorism and cyber-security related issues derived from East Asia. None of the above challenges is best handled alone, either by the EU, the region, or the US. The EU should here play an active role through closely cooperating with the regional partners and the US on all levels, including, but not limited to, forums such as the ASEAN Regional Forum and East Asia Summit.

The EU should work for sustainable development in East Asia. To develop trade and investment is crucial for sustainable development. However, in an economically divided region like East Asia, there is also a need for development assistance. The EU is today the largest source of development assistance in the region, ahead of Japan and the US. However, the aid can be utilised more efficiently through better coordination. Today it is scattered among too many projects, agents and locations.<sup>[40]</sup> Attempts should also be made to find an EU consensus on the extent economic and development cooperation should try to influence the target country's policies and to what extent conditionality in areas such as human rights and good governance should be included. The focus of development

aid should be on the eradication of poverty, access to clean energy, and to help the region to move towards low-emission development.

The EU has developed a strong capacity to deal with complex humanitarian disasters and post-conflict peace building that should be continued. For example, the EU was a leading player and lead donor after the 2004 Tsunami disaster, and the efforts made in post-conflict East Timor and Aceh have been greatly appreciated. However, the EU would benefit from finding better ways to funnel its emergency aid. Today substantial amounts are funnelled through multilateral trust funds, thereby making the aid more anonymous.<sup>[41]</sup>

- Cooperate with regional partners, in particular ASEAN, and the US on issues concerning regional peace and security.
- Development assistance should be better coordinated and more focused.
- The EU should be available to help out in case of humanitarian disasters and post-conflict peace building situations, if asked. The EU should also help create regional capacity in these fields.
- The EU should be more active in the ASEAN Regional Forum, and seek membership in the East Asian Summit.

## CONCLUSION

When designing the EU's global strategy towards East Asia it is important to start from where we are, even if that is not where we would like to be. The European Union is not viewed as a serious political or security actor in East Asia among the regional countries. It is best understood as an outside-actor, with no hard power in the region. However, this is not necessarily a bad thing. Instead, the EU has a unique position, being seen as a non-threatening partner. Furthermore, the EU does not polarise regional domestic opinions in the same way that the US and China do. As a key market, trader and investor in the region, the EU also has economic power, making it a counterweight to China and the US in particular for Southeast Asian countries. If used wisely, the role as a non-threatening partner can, together with the EU's economic weight, secure a leading position together with China and the US not only in the region but in the world. If used less wisely, the EU will, at best, be a second tier power together with the other G20 countries.<sup>[42]</sup>

The success of the EU's strategy requires a unified approach with clear prioritisation of areas where it can realistically have an impact. The main focus of the EU's strategy towards East Asia should be on the strengthening of bilateral trade and investment flows, including interlinked areas such as improved market access and investment conditions, and to pursue principled policies in particular towards Southeast Asian nations that are going through a democratisation process. Being a region with widespread ecological problems, the impact of knowledge and technology transfers would benefit the EU's global interests in the environment, energy and climate change areas, as a more sustainable East Asia would have direct impact on a global scale.

To develop EU-China relations is essential, with China already being the world's 2nd largest economy and the EU being China's largest trading partner. Being a country with widespread ecological problems, the impact of knowledge and technology transfers would benefit the EU's global interests in the environment, energy and climate change areas, as a more sustainable China would have direct impact on a global scale. The China strategy should stand on three legs; economic cooperation – with a focus on protecting European business interests including investments and intellectual property rights as well cooperation around green technology – people-to-people exchanges, and the strengthening of the strategic partnership.

For the latter to succeed there is a need to overcome diverging value expectations, and to try to reach a pragmatic consensus on how to make Beijing and the EU's policies complementary. Here two steps need to be taken on the EU side and one external condition needs to be fulfilled. First, the EU needs to look inwards to develop itself as a more capable international actor with explicit collective interests and goals. This is no easy task, but as long as it does not happen, China will continue to play divide and rule with the EU members. Thereafter, the EU must engage China constructively, finding issues and interests that bind the two together and that can be jointly pursued in the international governance structure. However, this is only possible if China itself clarifies and articulates how it sees its role in the world and its relationship with Europe.

It is important to recognise that East Asia is not only China. The EU should prioritise relations with ASEAN. After a long period of scepticism, ASEAN has opened up to learning from the EU experience making it potentially the foremost success in the EU's global strategy. Particular emphasis should be put on Indonesia, one of the region's most democratic countries and home to the largest Muslim population in the world. Relations with Japan, South Korea and Taiwan should be enhanced – these are partners that are not only major economic powers, but also ones with whom the EU shares similar values and similar challenges.

Both the EU and its member states need to understand and acknowledge that the East Asian counterparts are not passive recipients, but have their own aims and strategies. In the case of major countries they have been, and will continue to be, willing to assert or defend their own interests in the face of European pressure. Thus, the EU should uphold a tough negotiation strategy and pursue policies aimed at maximising European access and competitiveness rather than pursuing multilateralism for its own sake.

The EU should also be cautious of working too closely with the US. The EU can never compete with the US, and risks becoming nothing more than an irrelevant ally of the US in the region, possibly even being seen as a US deputy, only being credited for the negative matters related to Washington's East Asia policy and behaviour. Despite sharing principles with the US, there is a clear division between their East Asian

policy priorities. The EU tries to combine principled policies with economic and security concerns. In contrast, the US maintains a forward military deployment in the region and its policy focuses on security first vis-à-vis democracy first. Security first has been winning in all cases with the possible exception of Burma/Myanmar. Security first does not only go against

many of the EU's interests, it also risks undermining the EU's potential to utilise its unique role as a neutral / non-threatening party. This is not to say that the EU should not cooperate with the US, as there are many areas of shared concern, but that the EU should be cautious so as to avoid losing its credibility and becoming irrelevant as an independent actor.

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<sup>[1]</sup> East Asia is here defined as mainland China including the Chinese Special Administrative Regions of Hong Kong and Macao, Taiwan, Japan, Korea and the 10 ASEAN member states (Brunei Darussalam, Burma/Myanmar, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam).

<sup>[2]</sup> European Commission (2001) *Europe and Asia: A Strategic Framework for Enhanced Partnerships*. COM (2001) 469: p. 3.

<sup>[3]</sup> European Commission (2003) *A new partnership with South East Asia*. COM (2003) 399/4; European Commission (2003) *A maturing partnership - shared interests and challenges in EU-China relations*. COM(2003) 533.

<sup>[4]</sup> The 2007 East Asia Policy Guidelines set out six key challenges and objectives:

- The preservation of peace and strengthening of international security, in accordance with the principles of the UN Charter.
- The promotion of a rule based international system.
- The promotion of regional integration.
- The development and consolidation of democracy, the rule of law, and respect for human rights and fundamental freedoms.
- The promotion of cooperative and sustainable policies to meet global challenges such as climate change, energy security, environmental protection, poverty, economic imbalances, and health issues.
- The promotion of non-proliferation of weapons of mass destruction. As the guidelines were reviewed and updated in 2012, a seventh objective was added:
- the strengthening of bilateral trade and investment flows, supported by improved market access and investment conditions.

(Council of the European Union (2007) Guidelines on the EU's Foreign and Security Policy in East Asia. 16468/07, Council of the European Union (2009); Council of the European Union (2012) Guidelines on the EU's Foreign and

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<sup>[5]</sup> Cameron, Fraser (2013) 'The Evolution of EU-Asian Relations: 2001-2011'. In *The Palgrave Handbook of EU-Asia Relations*, eds Thomas Christiansen, Emil Kirchner, and Philomena Murray. Houndmills, Basingstoke: Palgrave Macmillan: p. 30.

<sup>[6]</sup> The importance of Asia is acknowledged by the European External Action Service, whose factsheet on EU-Asia introduces Asia as an 'essential partner for the European Union', stating that '[t]he Asia Pacific region has become central to world-wide prosperity and to the EU's growth prospects' and that '[t]he EU cannot expect to address seriously any of the major global challenges – from climate change to terrorism – without strong cooperation with its Asian partners.' (European External Action Service (2013) *factsheet EU-Asia*. Available at [http://www.eeas.europa.eu/asia/docs/eu\\_in\\_asia\\_factsheet\\_en.pdf](http://www.eeas.europa.eu/asia/docs/eu_in_asia_factsheet_en.pdf) (accessed 8 March 2013).

<sup>[7]</sup> Compare Geeraerts, Gustaaf (2011) 'China, the EU, and the New Multipolarity' *European Review* 19(1): pp 57-67.

<sup>[8]</sup> Etzioni, Amitai (2007) *Security first: for a muscular, moral foreign policy*. New Haven: Yale University Press.

<sup>[9]</sup> Economic data from the Council of the European Union (2012) Guidelines on the EU's Foreign and Security Policy in East Asia: p. 3

<sup>[10]</sup> Trade policy is in the exclusive power of the EU, with the Commission negotiating with external partners on behalf of the whole EU. This is done in close cooperation with the Council and European Parliament, who ultimately approve the overall agreements. Visit the trade section of the European Commission website for more information, <http://ec.europa.eu/trade/>.

<sup>[11]</sup> The EU today has a preferential trade agreement with South Korea in operation since July 2011. In December 2012 an agreement was reached with Singapore. Negotiations are currently on-going with Malaysia, Thailand and Vietnam. A mandate was given in November 2012 to start negotiations with Japan and the EU is considering starting negotiations with Brunei Darussalam, Indonesia and the Philippines. Negotiations with a regional grouping of seven ASEAN members were launched in July 2007, but in 2009 the negotiations were paused. Instead the EU member states agreed that FTA negotiations were to be pursued on a bilateral basis.

<sup>[12]</sup> European Commission (2012) *Executive Summary of the Impact Assessment Report on EU-Japan Trade Relations*. Commission Staff Working Document. Available at [http://trade.ec.europa.eu/doclib/docs/2012/july/tradoc\\_149810.pdf](http://trade.ec.europa.eu/doclib/docs/2012/july/tradoc_149810.pdf) (accessed 8 March 2013).

<sup>[13]</sup> Smith, Michael (2013) 'The EU, Asia and the Governance of Global Trade'. In *The Palgrave Handbook of EU-Asia Relations*: p. 388.

<sup>[14]</sup> Ibid.

<sup>[15]</sup> Martingui, Ana and Richard Youngs, eds (2011) *Challenges for European Foreign Policy in 2012: What kind of geo-economic Europe?*, FRIDE.



<sup>[16]</sup> See note 4.

<sup>[17]</sup> See for example Shen, Wenwen (2013) 'EU-China Relations On Human Rights In Competing Paradigms: Continuity And Change'. In *The Palgrave Handbook of EU-Asia Relations*.

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<sup>[21]</sup> Holslag, Jonathan (2012) 'Unravelling Harmony: How Distorted Trade Imperils the Sino-European Partnership' *Journal of World Trade* 46(2): p. 443.

<sup>[22]</sup> A visit to the European Commission website section on bilateral trade with China gives a good and continuously updated overview of these forms of challenges currently facing the EU, see [http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/index\\_en.htm](http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/index_en.htm) (accessed 8 March 2013).

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<sup>[27]</sup> Economic data from the European Commission, available at [http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/asean/index\\_en.htm](http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/asean/index_en.htm) (accessed 8 March 2013).

<sup>[28]</sup> For a long time the EU was seen as too legalistic for the process-oriented Asian cultures, as interfering with the sovereignty principle, and as only applicable to the unique European situation. These negative perceptions were increased further by the tendency of the EU to push for itself as THE (only) model for regional integration.

<sup>[29]</sup> For more information on the work of ASEAN intergovernmental Commission on Human Rights see <http://aichr.org/> (accessed 8 March 2013).

<sup>[30]</sup> See for example Nuttall, Simon (1996) 'Japan and the European Union: Reluctant partners' *Survival* 38(2): 104-20; Tsuruoka, Michito (2008) "Expectations Deficit' in EU-Japan Relations: Why the Relationship Cannot Flourish' *Current politics and Economics of Asia* 17(1): pp. 107-26.

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<sup>[36]</sup> [http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/korea/index\\_en.htm](http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/korea/index_en.htm)

<sup>[37]</sup> The other strategic partners are China, Brazil, Canada, India, Japan, Mexico, Russia, South Africa, and the United States, putting South Korea in a select group of countries perceived as important by the EU.

<sup>[38]</sup> Wissenbach, Uwe (2013) 'The EU And The Two Koreas- One Strategic Partner, The Other Strategic Liability'. In *The Palgrave Handbook of EU-Asia Relations*, eds. Thomas Christiansen, Emil Kirchner, and Philomena Murray. Houndmills, Basingstoke: Palgrave Macmillan: p. 534.

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