

Europe Meets Asia—Asia Meets Europe

What's the Point of Interregional Dialogue and Cooperation?

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From October 7–9 European and East Asian heads of state and government met at the Asia–Europe Meeting (ASEM) in the Vietnamese capital of Hanoi for their fifth inter-regional summit. Following the eastern expansion of the EU and northern expansion of the ASEAN community, the number of participating states has grown considerably to 38. Considering the size of the summit, the time invested by each of the heads of government to travel to and participate in it and the vague and non-binding final declaration that has once again come out of it, one is left questioning the sense and purpose of such mammoth summits. Moreover, allowing Burma to become a participating state despite European opposition has cast a dark shadow over the political dialogue between the two major regions. But the European–Asian process of dialogue and cooperation should not be solely evaluated based on the past summit. The strong economic ties between the two continents and the common interest in multilateralism as the guiding principle of global governance are among the positive, forward-looking elements of ASEM that go beyond the summit.

At the forefront of the process of dialogue and cooperation between the two continents which began in 1996 are: the exchange of opinions between the heads of state and government on current issues of foreign, security and economic policy, the conclusion of agreements on economic cooperation and the strengthening of cultural exchanges and knowledge transfer. The breadth and variety of issues dealt with inevitably leads to skepticism, which is further amplified by the more or less non-binding nature of the ASEM summit final declarations. This raises a fundamental question of the strategic value of inter-

regional cooperation. Put broadly: Is there any specific value added to be derived from ASEM that goes beyond the “merely” useful areas of cooperation? Is interregional cooperation able to achieve something that cannot otherwise be achieved at the international, regional or bilateral level? If one looks at the numerous facets of the European–Asian processes of dialogue and cooperation in terms of the value added, two particularly strategic opportunities become apparent.

Strategic Opportunities

Firstly, ASEM can be an effective instrument for promoting foreign trade and managing economic interdependence. Both Europe and Asia should work towards expanding their external trade relations and better capitalizing on the existing potential of increasing prosperity. The European economy does not want to leave Asia's lucrative markets to its American and Japanese competitors, and for its part, Asia is interested in greater diversification of its external trade relations. At the same time, given the extent of interregional economic integration that has already been achieved and the dependence it has created, both sides have an interest in working together to minimize risks and overcome problems. The necessary structures and institutions for handling these sorts of tasks have long been in place for transatlantic and trans-pacific trade and commercial activity. ASEM is attempting to catch up by doing the same for the third key interregional axis of the global economy.

Secondly, Europe and Asia have the chance to use ASEM as a way of jointly influencing matters of global governance, both in international bodies as well as vis-à-vis the US. In terms of the trilateral relation between the world's major regions, the collaboration between Europe and Asia is essential precisely because the transatlantic relationship has become less important to the US than it was during the Cold War and the economic and political ties between the US and Asia are becoming increasingly important. The point here is not to construct a European-Asian counterweight to the US. Only China is likely to be interested in reducing America's influence in Asia. And, in any case, Europe lacks the capability to play a truly substantial role in Asia. The US remains essential for the region—as the guarantor of peace in the Pacific, as the primary import market for Asian industrialized goods, as the biggest capital investor in the region, and as a source of innovation and inspiration. In other words, the issue is not one of power politics, but rather one of

global governance. This is the issue that provides a particular opportunity for ASEM. Given the unilateral actions of the US in trade policy (concluding bilateral free trade agreements), environmental policy (rejecting the Kyoto Protocol), international law (rejecting the International Court of Justice), human rights (Guantánamo) and security policy (doctrine of pre-emptive strike), both regions have a genuine interest in strengthening multilateralism as the principle for conducting international relations. Europe and Asia have both suffered a loss of power and would like to see the continuing development of global governance structures. The initial foundation of such structures exist, but it is also lacking in part.

For the foreseeable future, however, there is likely to be a gap between the fundamental desire of the regions for multilateral structures and cooperation and their practical ability to form coalitions. It's highly unlikely that ASEM will act as a veritable unified force in the international arena. For that their interests are too diverse and Asia and Europe are themselves too heterogeneous. It should also not be forgotten that Europe's most important ASEM partner, China, probably has internal reservations about the principle of multilateralism. Moreover, Japan and South Korea are reliant on their bilateral security alliances with the United States for their very existence. Thus, what seems more realistic would be the creation of ad-hoc coalitions of individual European and Asian states. But the ASEM dialogues could very well serve as a useful institutional foundation for coalition building, agenda setting and coordinating positions.

Assessment Criteria

Identifying strategic core tasks for ASEM should not imply that the mechanism for interregional cooperation cannot serve other functions as well. In fact, there is a whole range of useful tasks that dialogue and cooperation within the framework of

ASEM could accomplish. Examples include: political dialogue in general, cooperation in development policy, cultural and scientific exchange and maybe even European participation in matters of Asian security policy. However, contrary to what are deemed the strategic core functions, it is not necessary to address these issues at an interregional level within the framework of ASEM. It is conceivable that they could also be dealt with through bilateral agreements or cooperation in international bodies.

The analytical separation of useful functions on the one hand, and strategically important tasks on the other, allows us to derive a set of differentiated criteria that can be used to assess ASEM. The following key questions can serve as criteria:

1. Are the particular strategic opportunities that ASEM presents for business and politics in Europe and Asia being taken advantage of?

2. Is the cost-benefit ratio appropriate? Do the efforts at interregional cooperation bear enough fruit to justify the considerable amount of time and money involved?

The first criterion is derived from the characterization of ASEM's strategic potential. The second question on the cost-benefit ratio also needs to be addressed. The mere fact that ASEM makes a positive contribution in such areas as bringing the regions closer together politically, strengthening economic ties and improving understanding between the two continents, does not justify the existence of an institutionalized process of interregional dialogue. The positive outcomes have to be weighed against the political and economic costs involved, and the overall political and economic interests of Europe (and Asia) have to be kept in mind. How important is Asia for Europe's politics, economy and society? By the same token, how important is Europe for Asia?

The Hanoi Summit: Common Ground and Controversies

If we look at the recent ASEM summit in Hanoi in terms of the criteria outlined above, a few areas of progress are indeed apparent. The renewed commitment of the heads of state and government to "multilateralism and to a fair, just and rule-based international order, with the United Nations playing the central role" is an especially positive development. The foreign ministers of the ASEM states previously made a similar declaration at their meeting in Kildare, Ireland in April 2004. Beyond this declaration, the two sides even agreed in Hanoi to collaborate in international bodies. It remains to be seen, however, what such noble declarations are worth in the real world of international politics. Given the heterogeneity of interests involved, one can justifiably doubt that the nation-states of Asia and Europe will work on the international stage in a coordinated manner in the future. Still, the Hanoi declaration revealed an area of common ground that was hardly imaginable in the nineties. One should not rule out the possibility that by building on the consensus reached at Hanoi, ASEM will develop into a potent coalition for discussing and negotiating ways to maintain and strengthen the global multilateral system.

In other areas, the Hanoi conference was less productive. On the whole, the talks and the agreed upon final declaration remained non-binding. The participants were only able to agree on the least common denominator. The ASEM Dialogue Among Cultures and Civilizations, one of two declarations passed at the meeting, stressed the importance of cultural diversity as the common heritage of humanity and announced priorities for future cooperation. The second declaration called for "closer economic partnership." It covers in concrete terms the common objective of expanding bilateral trade and investment, the development of regional bond markets and cooperation in the areas of information technology, telecommunications, energy,

transport, tourism, and intellectual property rights for industry and small and medium-sized enterprises.

ASEM: A Multifaceted Process of Cooperation

Simply reviewing the Hanoi conference is, however, a frame of reference that is too narrow for a comprehensive assessment of European–Asian dialogue. The horizon should be expanded to include the entire eight years of ASEM cooperation. Viewed in this light, the Hanoi conference appears to represent a continuation of a process of Europe and East Asia moving closer together and increasing their mutual understanding and interdependence. ASEM has developed into a sophisticated and multi-layered process of dialogue and cooperation based on the three pillars of political dialogue, economic cooperation and cultural and social cooperation. Beyond the meetings between the heads of state and government held every two years, there have been substantive meetings between the foreign ministers, the trade and economic ministers, the finance ministers, the ministers for culture and science and technology, the interior ministers, the ministers for labor and social affairs and the ministers for the environment. The dialogue between the ministers is complemented and further fleshed out by meetings at lower levels. Non-state actors are also involved in interregional cooperation, providing ASEM a broader base of support. The private sector, for example, uses the Asia–Europe Business Forum to support the political process with advice, policy recommendations and calls for action. Participation by civil society takes place through the Asia–Europe Foundation (ASEF) based in Singapore and the People’s Forum, which takes place concurrently to the summits. In general, cooperation in the past few years has broadened and become more substantial, and Europe’s political and societal ties with East Asia have expanded and deepened.

The Role of the Asian Crisis

The Asian financial and structural crises that broke out suddenly in July 1997, a year after the official launch of ASEM, revealed how important it is to ground prospering economies in a political framework. In the Asian–European context, the Asian crisis was important for three reasons.

Firstly, Europe kept its markets open to the rapidly increasing imports from Asia that followed in the wake of the crisis, even against internal opposition. The continent also tolerated a strong rise in bilateral trade deficits with the countries in the throes of the crisis. In doing so, Europe contributed significantly to overcoming the Asian crisis and noticeably improved its status and reputation within East Asia. The relevance of Europe for Asia became quite apparent. The widely held perception in Asia of a “Fortress Europe” and a continent in political and economic decline has been shattered.

Secondly, Europeans had to learn the hard way that economic crises in far-away Asia can have an impact on the European economy and can result in a noticeable loss of growth. The mutual dependence of the two regions in terms of foreign trade is clearly much more significant than was generally perceived before.

Thirdly, it was shown that there are mechanisms for consultation and cooperation that were definitely useful for overcoming and analyzing the crisis. Europe used the second ASEM summit in London in 1998 to signal its solidarity with the heads of state and government in Asia that were affected by the crisis. Consultations between the finance ministers and the ministers for trade and the economy were used to exchange ideas about adequate strategies for overcoming the crisis. At meetings of experts, the Europeans shared their experience in monetary integration, regulating financial markets, and macro-economic management.

The Record of Foreign Trade Activity Is Positive So Far ...

The Asian crisis laid bare the economic dependence of the two regions on each other and made dramatically clear how important it is to politically support the process of interregional economic integration. But has the Asian–European process of consultation and cooperation also had a positive impact on bilateral trade and commercial activity? This can be measured empirically by looking at the actual development of the flow of trade and investment. An overall view comparing the relative foreign trade positions of Europe and Asia in the years between 1994 and 2002 reveals a complex picture (see table).

Europe’s share of Asian import markets has grown from 1994 to 2002 from 14% to 14.6% and surpasses that of North America’s share, which fell during this time period. However, this positive development cannot hide the fact that Europe’s position is still clearly below that what one would expect given the continent’s share of global trade (ca. 26%, not including trade within the EU). Europe’s participation in the growth market of East Asia continues to be below average. At the same time, Asia’s share of European exports declined from 8.1% to 7.1%. Germany, however, has defended its position as Asia’s most important European trading partner, even though growth has been more moderate than the European average.

From the Asian point of view, interregional trade with Europe has developed positively. Both Europe’s importance as a target region for Asian export goods (1994: 13.9%; 2002: 15.8%) and Asia’s share of Europe’s import markets (1994: 10.9%, 2002: 11.5%) have risen. In a new development, China has now replaced Japan as Europe’s most important trading partner in the region. European trade with India and Vietnam has also increased significantly, while bilateral trade with the remaining ASEAN states has either stagnated or even declined.

Table
Significance of European–Asian Trade for European and Asian Foreign Trade Totals – Share of Total Exports and Imports in %–

	1994	2002
Asian Exports		
to Europe	13.9	15.8
to North America	28.5	24.6
Asian Imports		
from Europe	14.0	14.6
from North America	18.0	14.0
European Exports*		
to Asia	8.1 (17.8)	7.1 (15.0)
to North America	8.1 (18.0)	10.4 (22.0)
to Eastern Europe and Turkey	7.2 (15.9)	10.0 (21.1)
European Imports*		
from Asia	10.9 (23.5)	11.5 (23.8)
from North America	8.4 (18.1)	7.9 (16.4)

Definitions

Europe: EU-15, Visegrád-4, Norway, Russia, Switzerland

Asia: ASEAN, China, Hong Kong, India, Japan, Korea, Taiwan

North America: Canada, Mexico, USA

* Figures in parentheses: Share of foreign trade when disregarding intra-community trade, which represents more than 60% of foreign trade in the EU.

Source: Author’s analysis based on IMF statistics (IMF, Direction of Trade Statistics).

Statistics on foreign direct investment show that European companies have also stepped up their direct investments in East Asia as well as their exports. At the same time, the total figure for the European states with the highest levels of investment (Germany, United Kingdom, France, the Netherlands, Switzerland) is still well behind that of the US and Japan.

In a nutshell the data shows that Europe has improved its position in Asia, but it still doesn’t match its potential. It is not easy to determine the extent to which politics has contributed to this development, but there are plausible arguments for the notion that it has played a positive role. For example, specific economic policy measures include the ASEM Action Plan concluded back in

1998 to ease trade and support mutual direct investment. It is also conceivable that cooperation in areas promoted by ASEM, such as infrastructure (transport, telecommunications, energy), environmental protection, science and technology, and human resource development, has provided European companies with business contacts. But the transformation of perceptions that both sides have undergone has probably been even more decisive than these sorts of indirect measures to promote trade and investment. The image of Europe in Asia, for example, has noticeably improved, a change in mood from which business was also able to profit. The widely held mistrust of European technological capabilities that once existed has disappeared, and European companies have become more attractive as an employer in the eyes of local executives. In Europe, on the other hand, East Asia is increasingly perceived as a growth region that deserves the attention of the business world and economic policy makers. Efforts to support foreign trade with Asia have become matters of the highest priority at both the European and national levels. Many European companies are entrusting their policies toward Asia to their CEOs. Increasingly even European mid-sized companies are attempting to gain a foothold in Asia's markets.

...but Asia Must Remain a Focus of European Business in the Future

The successful record of European businesses in Asia deserves to be recognized. But the existing potential to expand in Asia is far from being fully realized. In European business and political circles there is still a lack of initiative, imagination and will to capitalize on the available opportunities. Europe should not forget that efforts at good positioning within the growth markets of Asia are part of the process of securing its own future. Consequently, this positioning should be *the* continuing economic policy task of ASEM cooperation,

with its focus on achieving long-term impact.

Even though the financial and structural crisis in Southeast Asia has left some wounds, East Asia is still far and away the fastest growing major region of the global economy. It therefore continues to make sense to support the process of growing economic integration and interdependence by reducing political and cultural differences. But foreign trade goals should be pursued first and foremost with foreign trade policy measures. In this regard, there is something lacking on both sides and a need to take action. On the scale of preferred trading partners in the EU, the developing countries of Asia rank close to the bottom. The region also does not enjoy the priority it deserves in the Community's development policy. On the other hand, access to Asia's markets is hampered by customs duties, poor protection of intellectual property rights, administrative impediments and bureaucratic conditions. It is not uncommon for the latter to contain elements of corruption. Given the continuing barriers, Europe must be concerned about the increase in bilateral free-trade agreements in the Asian-Pacific region.

ASEM's Original Sin

The establishment of ASEM was not primarily driven by economic motives. The economic integration of Europe and Asia and the private sector's active involvement are, according to the founders of the institution, meant to serve as a sort of material underpinning for political cooperation. But while the goals and motives of economic cooperation between the regions were obvious and clear from the outset, the political objectives remain either indeterminate and vague or controversial. And since the beginning the relationship of ASEM to the US has not been clearly outlined. To this day, both sides have failed to agree on an action-orientated focus of their interregional cooperation and a common

strategic purpose of ASEM's specific potential. It would seem there is a lack of common ground and congruent interests among the 38 ASEM member countries.

This problem, which continues to have an impact, can be viewed as ASEM's original sin. It is a mistake in the group's construction that generally limits ASEM's ability to reach decisions and is responsible for the more or less random choice of themes for the summit conferences. Because the agendas are essentially left open, the heads of state and government usually discuss a number of issues and global problems without it being clear what contribution they can or would like to make to solving them. In addition, external events largely determine the agenda for discussion. In London in 1998 it was the Asian crisis, in Seoul in 2000 it was the process of reconciliation on the Korean peninsula and in Copenhagen in 2002, the fight against international terrorism took center stage.

After Europe accepted this style of open dialogue that is favored in Asia, it is in no position now to complain about the lack of substance in the discussions. The experience to date shows that the presence of the heads of state and government is more likely to be conducive to diplomatic protocol than finding consensus and agreement. Europe's ambitious expectations of the ASEM process have been almost entirely disappointed so far. It has neither been able to effectively influence the rounds of world trade talks under the auspices of the WTO, nor has it resulted in joint action in the area of global governance, nor even European participation in Asian-Pacific security policy. Given the modest results, it is no wonder that the absence of top European politicians at the ASEM summit meetings has been repeatedly noticed and justifiably criticized. If the underlying core problem is not resolved, ASEM threatens to gradually decline into a meaningless forum.

How can this tendency be reversed? What would help would be the establishment of an institutional basis and formal commitment of the participants to com-

mon values and principles of cooperation. A stronger strategic focus would also be essential. This recommendation to capitalize on the strategic potential of inter-regional cooperation presented by ASEM is not new. It was made by academic policy advisors the year that ASEM cooperation began, and it is high time that this suggestion be heeded.

The Burmese Burden

An important outcome of ASEM cooperation has been its positive repercussions for European and Asian identity. Just two years after cooperation within the ASEM framework began, for example, the ten founding Asian members (ASEAN, China, Japan, Korea) agreed on a forward-looking deepening of the institutions of East Asian regionalism in the form of the ASEAN+3 cooperation. The goal is to better manage the regional effects of international financial crises through closer cooperation in financial and monetary policies. On the European side as well, a joint face towards its Asian partners has strengthened Europe's consciousness of its own identity. Against this background, the acceptance of Burma as a member of ASEM is a heavy burden not only for Asia but for Europe too, given that their self-perception is deeply grounded in a commitment to democracy and human rights.

Granted, Europe, Asia and ASEM have stumbled into this awkward situation under ill-timed circumstances. While the EU wanted to expand ASEM to include its ten new members, the ASEAN community was calling for the ascension of Burma, Cambodia and Laos to ASEM. For Europe, however, Burma was unacceptable due to the brutal rule of the reigning military junta and its continuing human rights abuses. A compromise strategy agreed to at Kildare aimed at promoting the process of reconciliation and democratization within Burma by offering the prospects of ASEM membership was turned to as a putative way of solving the issue. But this strategy

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failed, inasmuch as it only served to harden the fronts within Burma. Under these circumstances, Burma should not have been granted membership. In the end, however, Burma was accepted because the Asian side, and the Vietnamese hosts in particular, insisted on it. In order not to jeopardize the summit meeting, the EU agreed on the condition that the new member not be represented at the meeting by its head of state or government. At the same time, the European side announced that it would impose sanctions if no progress were made in Burma. And indeed, sanctions have since come into effect, though not particularly painful ones. Moreover, the domestic situation in the country was discussed at Hanoi in the presence of Burma's representative. The final declaration expressly encouraged Burma to continue the process of national reconciliation and democratization. But those in power have not let themselves be influenced by either sanctions or dialogue. On the contrary, ten days after the summit meeting ended, Prime Minister Khin Nyunt, who was regarded as the architect and driving force in the internal democratization and peace processes, was stripped of power.

There is a general sense of disillusionment within the group with regard to Burma. The country's acceptance has thrown a dark shadow over further Asian-European cooperation. This affects the ASEAN community above all. Its international reputation is likely to be damaged when Burma takes over the presidency of the organization as scheduled in 2006. The sixth ASEM summit is expected to take place in the same year in Finland. With Burma playing a high-profile role within the ASEAN community by then, it will undoubtedly be very difficult to not allow the prime minister of the "Union of Myanmar" to participate. Europe should prepare well for the probable diplomatic confrontation with Burma and ASEAN. The EU needs to give higher priority to Burma in its foreign and security policies, and it needs to find a unified position for its foreign

policy and trade policy. It is particularly important to resolve the differences in the approaches of France and Britain. In any case, the agreement already reached to impose sanctions on the military regime is insufficient as a common policy.