



The EU's pivot to Asia

Fraser Cameron is Director of the EU-Asia Centre

Although it is the US pivot to Asia that has captured attention the EU has also steadily increased its engagement with the world's most dynamic region and home to 60% of the global population. In July, there was an EU-ASEAN ministerial meeting in Brussels where the two blocs agreed to deepen ties. In August, EU foreign policy chief, Catherine Ashton, represented the EU at the ASEAN Regional Forum in Myanmar, a security meeting where the South China Sea was high on the agenda. And in October the EU will host the bi-annual EU-Asia summit meeting (ASEM) in Milan. In addition member states have been flocking to Asia seeking trade and investment. Between them, Merkel, Cameron and Hollande have made eight trips to Asia so far in 2014. Four of the EU's strategic partners (China, Japan, India, South Korea) are in Asia, another measure of the EU's tilt towards the Far East.

Why the sudden interest? Catherine Ashton put the case succinctly earlier this year when she said that *"developing our relations with Asia across the board is a major strategic objective for the European Union. Put simply... Europe and Asia need each other."* In other words the EU has substantial political, security, economic and trade interests in Asia. The EU is one of the leading trade partners of every Asian country. Trade has grown at an annual average growth rate of over 6% in the past decade. In 2013 Asian partners accounted for 15.3% of EU imports (€678 billion) and 12.5% of exports (€573 billion). China, Japan and South Korea are among the top ten trading partners of the EU accounting for 18% of the EU's total trade. The ten nation ASEAN grouping accounts for a further 13% of total trade. The EU is also a major investor in Asia. Last year 22% of EU outward investment was destined to Asia (€57 billion), while 13% originated in the region (€38 billion). Asian investment in Europe is also growing apace – think of Nissan, Huawei, Tata and Hyundai.

Against the background of ongoing negotiations for a US-led Trans Pacific Partnership (TPP) and a Chinese-led Regional Comprehensive Economic Partnership (RCEP) securing market access for European companies is of particular importance. This is assured through a web of free trade agreements (FTAs) and Partnership Agreements. The EU-South Korea FTA is widely regarded as a model for other countries. A trade agreement with Singapore has been finalised while negotiations are taking place with Japan, India, Vietnam and Indonesia. Talks with Thailand are on ice since the military took over the government. A critically important investment agreement with China is also being negotiated which, if successful, could open the door for an FTA.

Soft v hard power

The EU is already the top donor as regards development assistance for Asia. EU assistance to the region during 2014-20 will reach €6.5 billion, a 20% increase on the last five year

period, and will focus on poverty eradication. There will also be an increase in funds for humanitarian assistance and disaster prevention.

The poorer Asian countries will also receive EU funding to deal with challenges such as energy security and climate change. The EU will remain one of the top providers of assistance in Afghanistan after the withdrawal of NATO forces at the end of 2014.

Although the EU is not a hard power like the US it has nevertheless sought to increase its role in security matters. The EU's anti-piracy operation (ATALANTA) off the coast of Somalia has a strong 'Asian' element. Before the summer there were the first-ever EU-China naval exercises. Non-traditional security issues are receiving more and more attention, not least because the political and security situation in Asia remains volatile with tensions among regional and other powers. Disputes in the East and South China Seas are often in the headlines and of direct relevance for European security. The EU's experience in regional integration was recognised by South Korean President Park during her visit to Brussels last November. She proposed organising a conference in Northeast Asia before the end of 2014 to showcase the European experience. ASEAN officials are regular visitors to Brussels to see how the EU managed or mismanaged integration in different areas.

ASEAN and ASEM

Given that integration is part of the EU's DNA it is not surprising that it devotes considerable resources to supporting ASEAN. It is the largest financial contributor to the ASEAN secretariat and is helping the bloc on issues ranging from human rights and the rule of law to connectivity and border management.

At the ASEAN Regional Forum (ARF) the EU has much to offer as regards experience in conflict prevention, nuclear proliferation, cyber security, terrorism, radicalisation, transnational crime and trafficking in human beings.

Some criticise the Asia-Europe Meeting (ASEM) as a mere talking shop. But that is also a strength – bringing together over 50 world leaders for informal discussions on climate change, maritime security, trade and finance. Bilateral meetings and corridor talks are easy to arrange. Where else could the Chinese and Japanese premiers meet? This is not to say ASEM, approaching its twentieth birthday in 2016, could not be improved. Leaders in Milan are likely to establish a special working group on connectivity with a mandate to look at ideas for closer ties in the fields of transport, trade and telecommunications.

The EU pivot to Asia is thus very real. It is the leading economy in the world. It has the second reserve currency and it has

unrivalled experience and expertise in institution building and integration. These are valuable assets for Asian partners.

Asia and Europe have worked hard to maintain momentum in their relations despite pressing - and difficult - domestic and regional concerns. Such endeavours are to their credit. However, the challenge facing participants at the upcoming ASEM meeting is to build more trust and understanding - and take their relationship to a higher, more strategic level.

It would be a useful step forward if the EU was admitted to the East Asia Summit, a security forum involving ASEAN as well as the United States, Russia, India and others. But some Asian states have doubted the value of the EU's participation.

ASEAN, meanwhile, is looking for an EU upgrade to status of 'strategic partner', the appointment of a special EU envoy accredited to the Jakarta-based ASEAN Secretariat and the regular convening of EU-ASEAN summits. While not opposed to these points, the EU has put ASEAN demands on hold until it sees if ASEAN can meet its end-2015 deadline for establishing a border-free ASEAN Economic Community (AEC). If this deadline is met then it could reopen the prospect of an EU-ASEAN free trade agreement. EU Trade Commissioner Karel De Gucht has said such a pact could be negotiated once the AEC is in place.

Certainly an EU-ASEAN FTA could increase Europe's visibility in a landscape crowded by multiple Asian free trade initiatives, including the US-led Trans Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP), linking ASEAN to all leading economies in the region.

Domestic challenges

Keeping Asia-Europe engagement on track has not been easy for either region. The EU still faces the over-arching challenge of consolidating a still-slow economic recovery, creating jobs, especially for young people, and deciding on the distribution of key EU posts. Hammering out a coherent strategy vis-à-vis a more assertive and often-unpredictable Russia remains a challenge. The EU is also still struggling to understand and respond to the continuing chaos and conflict in its southern neighbourhood.

In Asia, meanwhile, conflicting territorial claims in the East China and South China Seas continue to strain relations between China and many of its neighbours. The situation on the Korean peninsula remains tense. The political situation in South East Asia is also unpredictable following the military coup in Thailand, ethnic violence in Myanmar amid preparations for next year's presidential elections and the year-long political crisis over disputed election results in Cambodia. Indonesia's

"... the EU has substantial political, security, economic and trade interests in Asia. The EU is one of the leading trade partners of every Asian country"

inexperienced new president 'Jokowi' Widodo will also need time to establish himself as leader of the region's most populous nation and most robust democracy.

On the economic front, the Asian Development Bank has cut its initial growth outlook for the region from 5 percent to 4.7 percent even as the region struggles to tackle problems posed by urbanisation, climate change and unequal development.

With 50% of world trade in tonnage passing through the South China Sea, the EU has taken a lead in establishing an EU-ASEAN high-level dialogue on maritime security, with a focus on port security, maritime surveillance, and the joint management of resources including fisheries and oil and gas. EU leaders have also insisted to China and Japan that their disputes should be managed without the use of force and that their territorial and maritime claims should be pursued in accordance with international law.

Deeper trust

While much binds the two regions, upgrading EU-ASEAN ties requires deeper trust and understanding between the two sides. Encouragingly the earlier acrimony over participation and attendance at meetings is now buried. Yet like ASEM gatherings, ASEAN meetings must become more inter-active and less formal and ritualistic. The focus on agenda items, prepared statements and out-dated rhetoric needs to be replaced by more open, frank and critical albeit constructive exchanges. There was some evidence of this at the Brussels ministerial in August but more can and should be done.

ASEAN and the EU have been talking to and working with each other for several decades - but the last three years have been especially important in binding the two regions together. The Brunei Plan of Action adopted in 2012 laid the groundwork for a further intensification of EU-ASEAN ties. This month's meeting in Brussels has given added traction to EU-ASEAN engagement by preparing the ground for a qualitative upgrade of relations within two to three years. The ASEM summit in Milan in October will be a further demonstration of the EU's pivot to Asia. ■

