The Impact of Crisis in Europe on EU’s Foreign Policy and its Relations with Asia

Dr Richard Youngs, Senior Associate at Carnegie Europe, was the EU Centre’s 2014 Visiting Fellow. During his stay at the EU Centre in October, he gave two talks. The two talks, one co-hosted by the S Rajaratnam School of International Relations (17 October), and the other co-hosted by the Singapore Institute of International Affairs (20 October), dealt with the impact of the crises in Europe on the European Union’s foreign policy and also its relations with Asia.

In the first seminar, Dr Richard Youngs gave a broad overview of trends in EU-Asia relations over the past few years. He emphasized on how the financial crisis in EU has had an impact on EU’s global position and influence. According to Dr Youngs the crisis has not been a purely economic one, but there is also a strong political dimension. The economic crisis has gradually changed to an impact on a global scale, with spillover to the sphere of foreign policy. The EU also has to rethink on how much overall global balance and power has changed.

In examining the international impact of the Eurozone crisis, Dr Youngs noted that there were two main schools of thought on the crisis on the EU. On one hand, there are those that believe the impact should not be exaggerated and may paradoxically be a positive on the foreign policy front. These people looked at the history of the European integration and noted that propelled the EU has always managed to overcome the crises before it, and in the process, to deepen its cooperation. In short, crises drive the EU forward. On the other hand, there are those that believe that this time round, it is different. The Eurozone crisis has been a real game changer which has caused fundamental shifts in the European outlook. The crisis has fundamentally weakened the European Member States and the EU has to lower its ambitions on the international level.

Dr Youngs argued that the truth lies somewhere in between the two opposing views. The crisis has begun to change EU’s action in international affairs, and it has had a serious and long-lasting impact that should not be underestimated. There is a spillover from the economic crisis to the economic domain and this has an impact on the role of the EU in the globalized world. Dr Youngs noted that a positive by-
product of the economic crisis is in the field of EU-Asia relations, though he emphasized that this reconfiguration had begun even before the economic crisis. The economic challenge has to some extent weakened EU government and solidarity but in other ways pushed them together due to the need for greater cooperation. The crisis has pulled Europe apart in some ways but also brought it together in others.

Dr Youngs noted that the crisis accelerated the EU’s decline which was already taking place pre-crisis. While the EU remains the world’s largest trading entity, its share of global trade (both import and export) has decreased since 2009/10. Furthermore EU’s investment figures declined drastically in 2012-2013 and in 2012 for the first time developing economies receive more investment than developed economies. In 2012, Asia spent more on defense than Europe and the EU was the only major region where defense spending was flat or declining (10-15%). The EU is still a leader in development aid but the share of global development assistance has similarly headed south since 2011 and a larger decrease in 2012-2013. These facts and figures have resulted in the EU’s normative appeal as a model of integration to take a hit.

According to Youngs the EU has not completely collapsed but the crisis has basically speed up the relative downward spirals. But there is a silver lining. The crisis has pushed and obliged the EU Member States to cooperate on a more intensive level. The European governments are trying to find out how to deal with the burdens of being a global player.

According to Youngs there are three concrete levels of change after the crisis. First of all, the crisis has made the EU a greater geo-economic actor. The Union is now more assertive in protecting its economic interests and this has driven it towards more proactive trade policy towards Asia. This can be seen both as positive and as negative because a lot of the activities are pursued also at a national level. One of the key questions for the future of the European project and second change since the crisis is whether the Member States can actively be involved in geo-economics but still be committed to the multilateral agreements. Finally the change is in the relationship with Asia. In the decade before the Eurozone crisis, the EU was widely criticized for undervaluing Asia’s potential. But now due to the lack of growth in Europe, the crisis has pushed the EU towards a more serious relationship with Asia, initiating a more modest and less-commented mini-pivot towards Asia. The EU has moved up a gear in its relationship with Asia through FTA talks, strategic partnerships, high-level visits, the revival of key forums and the increase of European governments visiting Asian countries. According to Youngs, Europe is not only looking for new
source of growth, but also tries to find out how to support Asia on a long term and useful way. On the Asian side, governments realized too that supporting the EU was in their interest as they were considered the most exposed to the European financial system and economy. However, the crisis in Ukraine might have stopped this momentum as attention shifted back to its neighborhood, and the ISIS threat also compounded this shift in attention.

Dr Youngs suggested that for interest in Asia to be sustained, the EU-Asia relationship could be framed more as a global partnership to increase its visibility and potency. Dr Youngs also noted that there were more advances on a bilateral and sub-group rather than region-to-region level. These overlaps and varying levels of relationships make the advancement of inter-regional relations inherently complex, but the overall importance of EU’s and its member states’ relations with Asia will increase.