The Asia-Pacific as a Strategic Region for the European Union

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The Horizon 2020 (06-2017) “The Asia-Pacific as a strategic region for Europe” The call began by stating the obvious - that the Asia Pacific is a large and diverse region, encompassing industrialised countries, emerging economies and developing countries. It then went on to acknowledge that perhaps because of the huge diversities, *the EU has lacked a strategic approach* towards the region, despite strong economic interests and heightened security concerns in the area. Several EU MS have adopted an active bilateral approach towards key partners in the AP, but *the EU as a whole has failed to speak with one voice*. However, there are opportunities now for the EU to become more involved in the AP because of the multiple and complex challenges shared by the two regions. Two Specific Challenges to be addressed in this call:

1. Regional Integration in SEA and its consequences for Europe
2. Governance in and of the Pacific as a challenge for Europe
Deepening of EU’s Engagement with Asia

1994: New Asia Strategy (NAS)
2001: Strategic Framework for Enhanced Partnership
2003: European Security Strategy
2006: ‘Global Europe’ Strategy
   New FTA Strategy of the EU with Many Asian Negotiation Partners (Korea, ASEAN, etc.)
2012: “Asia Year” Concept Paper – Pivot to Asia
2016: EU Global Strategy

Not forgetting all the bilateral / inter-regional policy papers (EU-China; EU- Japan; EU-ASEAN, etc)

My focus in today’s lecture will be on the “Asian” partners (particularly East & Southeast Asia) and not so much on “the Pacific islands”.
Main driving forces for seeking enhanced engagement with Asia – economics

The opening of the document *Towards a New Asia Strategy (NAS)* said “The rise of Asia is dramatically changing the world balance of economic power ... The Union needs as a matter of urgency to strengthen its economic presence in Asia in order to maintain its leading role in the world economy”.

Between 1994 – 1997: Seek to strengthen EU-ASEAN partnership as a cornerstone of its dialogue with the broader Asian region.


2003 – China, India and Japan – listed as the EU’s strategic partners

2006 – South Korea also listed as strategic partners

2007 – “rebalance” in its Asian policy – looking beyond China
Strategic partnership - What does it mean?

2003 ESS vaguely defined it as partnerships with countries that “share norms and values” with the EU in strengthening “effective multilateralism”.

Three main elements of EU’s approach towards Strategic partnership –

Promoting trade and investments
Looking for allies to promote multilateralism and strengthen international cooperation
Burden-sharing in security matters

“Economics remains the basis for partnerships...”
Strategic relations – are those that should be maintained over time, not abandoned while traversing difficulties – they are a long term investment. Effective strategic partnerships are those that pave the way to reconciling bilateral engagement and multilateral cooperation, strengthening both dimensions at once.

Enablers of dialogue and cooperation among pivotal and increasingly interdependent powers.

* Strategic region
* Strategic interests
* Strategic approach
European Union, Trade with China

Total goods: EU Trade flows and balance, annual data 2005 - 2015

Source: Eurostat Comext - Statistical regime: 4
EU-China trade has increased dramatically in recent years. China is the EU's biggest source of imports by far, and has also become one of the EU's fastest growing export markets. The EU has also become China's biggest source of imports. China and Europe now trade well over €1 billion a day.

EU imports from China are dominated by industrial and consumer goods: machinery and equipment, footwear and clothing, furniture and lamps, and toys. EU exports to China are concentrated on machinery and equipment, motor vehicles, aircraft, and chemicals.

Bilateral trade in services, however, only amounts to 1/10 of total trade in goods, and the EU's exports of services only amount to 20% of EU's exports of goods.

As a result, the EU records a significant trade deficit with China. This is in part a reflection of global and Asian value chains, but in part also due to remaining market access barriers in China.

Investment flows also show vast untapped potential, especially when taking into account the size of our respective economies. China accounts for just 2-3% of overall European investments abroad, whereas Chinese investments in Europe are rising, but from an even lower base.

Source: European Commission
**EU-Japan Trade**

**European Union, Trade with Japan**

Total goods: EU Trade flows and balance, annual data 2005 - 2015

Source: Eurostat Comext - Statistical regime.
Japan is the EU’s second biggest trading partner in Asia after China.

Together the EU and Japan account for more than a third of the world's GDP.

Japan remains a major trade partner for the EU and Europe is a very important market for Japan. Japan is also a major investor in the EU.

Imports from Japan to the EU are dominated by machinery, electrical machinery, motor vehicles, optical and medical instruments, and chemicals.

EU exports to Japan are dominated by motor vehicles, machinery, pharmaceuticals, optical and medical instruments, and electrical machinery.

Source: European Commission
EU-South Korea Trade

European Union, Trade with South Korea

Total goods: EU Trade flows and balance, annual data 2005 - 2015

Source: Eurostat Comext - Statistical regime 1
The EU and South Korea are important trading partners. South Korea is the EU's 9th largest export destination for goods, whereas the EU is South Korea's third largest export market.

EU exports of goods to South Korea amounted to €47.9 billion in 2015, whereas imports from South Korea totalled €42.3 billion. In terms of EU exports, the most important categories of products are machinery and appliances, transport equipment and chemical products. As far as EU imports from South Korea are concerned, the main product categories are machinery and appliances, transport equipment and plastics.

The EU records a significant surplus in trade in services with South Korea. EU exports of services to South Korea amounted to €11.9 billion in 2014, compared to imports of €6 billion.

South Korean investments in the EU have increased substantially from €13.1 billion in 2010 to €20.3 billion in 2014. Over the same period, EU investments in South Korea has now increased from €37.5 to €43.7 billion.

Source: European Commission
EU-ASEAN Trade & Investment

- EU accounts for 13% of ASEAN’s trade in Goods.
- €523bn (2011 - 2013)
- EU is ASEAN’s second largest trading partner

- Largest FDI inflow to ASEAN
- USD75bn (2011 - 2013)

- 22% of total FDI inflow into ASEAN

- China is ASEAN’s largest trading partner

- EU’s third largest trading partner outside Europe, accounting for 6% of EU’s trade in Goods.
EU-ASEAN Trade

- Total trade in goods between the EU and ASEAN grew by over 12.1% between 2014 and 2015.

- In 2015 EU exports to ASEAN expanded by 5.6% year on year amounting to €83 billion worth of goods. EU imports from ASEAN grew by 17% year on year amounting to €118.4 billion. Bilateral trade between the EU and ASEAN continued to be concentrated in a few sectors – machinery and transport equipment, manufactured goods and chemicals and related products.

- In 2014, EU-ASEAN trade in services €67.4 billion with a surplus of €5.7 billion in favour of the EU. This represents a 6% increase compared to the previous year.

- Singapore remained the EU’s main partner for trade in services in ASEAN with €36 billion in bilateral trade, followed by Thailand and Malaysia.

- In 2014, the EU was ASEAN’s largest investor with €184 billion in FDI stocks held in the region. ASEAN investments into EU has also been growing reaching a stock of €54 billion in 2014.

Source: European Commission
eu fta with asian countries

in force: republic of korea

negotiations concluded: singapore, vietnam

ongoing negotiations: japan, malaysia, thailand, indonesia, philippines

suspended: asean – however, 2015 paper on southeast asia and asean called for a revival of an inter-regional fta

source: european commission
Chinese FDI in the EU-28 2000—2015

Chinese FDI is Spread Across all of Europe
Greenfield and M&A transactions in the EU-28 by geographic location; value of cumulative investment from 2000—2015

EUR million
Bilateral Investment Treaty with China – level playing field
How will the EU position itself between China and the US? EU
EU competition with China in other regions?

Strategic Partnership Agreement with Japan? – The most undervalued and under-appreciated partnership?
Japan with observer status in OSCE / NATO
* Beyond Trade

EU-South Korea Framework Agreement
EU-Korea Agreement on Crisis Management Ops (2014)
Partnership in Development cooperation?

EU-ASEAN – recognising ASEAN’s Centrality
Acceded to Treaty of Amity and Cooperation (TAC)
Participated in ASEAN Regional Forum (ARF)
EU-ASEAN – Comprehensive Aviation Transport Agreement
Investment protection treaty with Myanmar
2003 – European Security Strategy
“A Secure Europe in a Better World”

Key threats – Terrorism, WMDs, Regional Conflicts, State Failure and Organised Crime

Terrorism – Southeast Asia
WMD & Regional Conflicts – Korean peninsula

Partners for the EU in addressing security threats: Passing mention of regional organisations including ASEAN
Develop strategic partnerships with Japan, China and India
2016 – Global Strategy for the EU’s Foreign and Security Policy

“Shared Vision, Common Action: A Stronger Europe”

Cooperative Regional Orders:

A Connected Asia – deepen economic diplomacy and scale up security role in Asia. Multilateral platforms (ASEM, EU-ASEAN)

Focus again on China – maximising the potential of EU-China Connectively Platform, deepen trade and investment with China, seek level playing field

Work towards ambitious trade agreements with other Asian partners – Japan, India, and ASEAN MS.

Political & Security Cooperation – EU to make greater practical contributions to Asian security – non-proliferation in the Korean peninsula, freedom of navigation and maritime security, counter terrorism, anti-trafficking and migration.
Why ASEAN is an important partner? *(Natural Partners?)*

Long-standing partnership from 1972 and formalised in 1980 with Cooperation Agreement;

Important trade and investment partner - and growth potential remains good (in 2030 - ASEAN would be 4th largest economy; middle class will expand to 420 million in 2020; growth trajectory - 4.5-6% growth for the next few years; continued commitment to economic integration)

Efforts by ASEAN to maintain cohesion and move towards deeper integration, openness to trade and investments, commitment to rule of law and multilateralism

Sino-US rivalry in South China Sea and the Asia Pacific - ASEAN’s dialogue with China and US and the various ASEAN-driven forums (ARF, EAS) provide some space for other actors to mitigate and temper the “rivalry”.

Centrality of ASEAN in regional architectures in the Asia-Pacific?
Between 2007 and 2014, ASEAN GDP nearly doubled, while current GDP per capita increased by 76%.

In 2014, ASEAN economy was the 7th largest in the world & the 3rd largest in Asia.

Source: ASEAN Secretariat
ASEAN’s Regional Free Trade Agreements (Proposed)
Asia-Europe Meeting (ASEM) - launched in 1996, inaugural summit in Bangkok in 1996 (then ASEAN + 3 and 15 EU MS + Commission); has now grown to 51 partners (going towards 52); A truly “eurasian” network (3 oceans / 3 continents)? - EU MS + EU (rep by EEAS), Norway, Switzerland, Russia, NEA (China, Japan, Korea and Mongolia), South Asia (Bangladesh, India and Pakistan); Southeast Asia (ASEAN + ASEAN Secretariat); Australasia (Aust and NZ)

State of play - “meetings, particularly summit driven” - information sharing platform (not problem solving or negotiations platform); initiatives not institutions; to complement other existing EU-Asia frameworks, not replace them.

Challenges - visibility and “sustainability”
Global partnership - focus on working with Asia to address common challenges (Emphasis on inter-dependence, on equal partnership, genuine dialogue)

Strategic partnership - driven by EU power and interests calculations (EU as a normal power - like any “normal” state actor it starts with defining what and where are my interests, what should be my foreign policy goals, and how do I go about defending my interests and achieving my goals / objectives)

Competitive partnership - Asia as a challenge to EU’s power, interest and norms (return of classic power politics, EU as a closed bloc, fearful and pursuing protectionist policies towards Asia)

Ad hoc partnership - no strategic thinking, mainly reactive and primarily focus on economics and trade issues