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# EU- East Asia Relations: Effects of the Global Financial and Eurozone Debt Crises

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## Abstract

*Relations between the EU and East Asia have evolved as a result of the global financial and Eurozone debt crises. Throughout the 1990s, economic, political and security relations were dominated by the EU. As an increasing number of East Asian countries became more economically successful and diplomatically assertive throughout the 1990s, EU-East Asian relations became more balanced. With the onset of the global financial crisis, balanced relations fostered cooperation, while a degree of satisfaction spread over East Asia, one of the regions less affected by the crisis. The Eurozone debt crisis has accentuated both developments. Today, cooperation in economics, politics and security dominate EU-East Asian relations. Many leaders in East Asia seek to help their European counterparts while pointing out the superior performance of their domestic economies.*

## Key Words

European Union, East Asia, crisis, Cold War, 9/11, Global Financial Crisis, Eurozone Sovereign Debt Crisis.

## Introduction

Relations between the European Union (EU) and East Asia have evolved significantly since the end of the Cold War.<sup>1</sup> Before the early 1990s, the EU and most East Asian countries had already established diplomatic relations.<sup>2</sup> However, the EU and East Asia had limited links until the European Commission (hereafter Commission) launched the communication ‘Towards a New Asia Strategy’ in 1994. Until then, the EU had not displayed much interest in being involved in political and security affairs in East Asia. This was reciprocated by East Asian countries being more concerned about the role that the United States (U.S.) played in the region.

EU-East Asia relations were thus dominated by economic exchanges throughout the Cold War. However, trade and investment flows between both regions were relatively limited for most of this period. They would only start to grow during the 1990s. The only exceptions were flows between

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Japan and the EU. As a result of Japan's impressive economic growth from the 1950s onwards, cash-rich Japanese companies started to invest in Europe,<sup>3</sup> while European companies looked at the Japanese market for growth. By the 1980s, Japan and the EU were among each other's largest trading and investment partners.

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With the onset of the global financial crisis, balanced relations fostered cooperation, while a degree of satisfaction spread over East Asia, one of the regions less affected by the crisis.

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The fact that significant interactions between the EU and East Asia were first dominated by economics has affected relations between both regions ever since. Both elite and popular perceptions of the EU in East Asian countries still emphasise the role of the EU as a trade and economic giant.<sup>4</sup> Meanwhile, perceptions of East Asian countries in the EU still seem to be dominated by images of the former as a group of relatively underdeveloped and unknown countries.<sup>5</sup> These perceptions have only started to change slowly as a result of the global financial crisis (hereafter GFC) and the Eurozone sovereign debt crisis (hereafter ESDC). But they have affected

relations between both for the past two decades.

Notwithstanding the dominance of economic factors in shaping relations between the EU and East Asia, political and security aspects have become increasingly important to the interactions between both regions. The rise in prominence of non-traditional diplomatic and security conundrums after the end of the Cold War, coupled with growing emphasis on multilateralisation of their resolution, has affected EU-East Asia relations. This article will explain the extent to which the GFC and the ESDC have affected the political and security aspects of the relationship between the EU and East Asia, as well as the effect of both crises on their economic interactions.

In order to assess the changes in EU-East Asia relations as a result of the GFC and ESDC, the article will be divided as follows. In section two, relations from the end of the Cold War until the onset of these crises will be analysed. The third section will delve into how the GFC affected their relationship. The subsequent section will explain the extent to which the ESDC has influenced relations between East Asian countries and the EU. A concluding section will summarise the main findings of this article.

## EU-East Asia Relations before the Global Financial Crisis

Following the release of the ‘Towards a New Asia Strategy’ communication by the Commission in 1994, the EU began to develop a more structured strategy towards relations with Asia as a whole, and East Asia in particular. This strategy was based on the idea that the EU should support the development of East Asia.<sup>6</sup> Implicit was the idea that this development should follow a Western economic and political model. The rationale was that this would benefit both East Asian countries and the EU. But the strategy also implied that the European or Western model was superior and, therefore, preferable for East Asia.

The Commission issued a second Asia-related communication in 2001. Entitled ‘Europe and Asia: A Strategic Framework for Enhanced Partnerships’, this communication implicitly acknowledged the failure of the previous strategy and emphasised a reciprocal relationship in which East Asian countries and the EU learnt from each other.<sup>7</sup> Human rights, democracy, good governance and the rule of law were still central to this strategy, as these correspond to the EU’s self-identity as a ‘normative power’.<sup>8</sup> However, mutually

beneficial economic partnerships and global partnerships in multilateral fora were also emphasised.

These two communications expressed clearly the evolution in EU thinking regarding East Asia. Equally important, they also signalled the rise of many countries in the latter. High rates of economic growth and deeper involvement in global governance made East Asian countries more assertive when dealing with the EU. An examination of economic and political and security interactions between both regions makes clear the evolution of interactions between them in the years prior to the GFC.

### *Economic Relations*

Throughout the 1990s, the EU did not see East Asia so much as an economic partner as a region in need of ‘modernisation’. With the exception of Japan and Hong Kong, the rest of East Asia’s economies were perceived as relatively backward. The East Asian financial crisis that spread throughout the region further exacerbated this perception. Many Western analysts argued that East Asian economies were unprepared to operate as ‘modern’ economies, with the Asian model of capitalism being solely blamed for the crisis.<sup>9</sup> The International Monetary Fund

(IMF) sought to overhaul East Asian economies, perceived to be corrupt and inefficient.<sup>10</sup>

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The turn of the century consolidated a significant shift in EU-East Asia economic interactions already visible in the previous years.

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Therefore, interactions between the EU and East Asia throughout the 1990s were marked by a Confucian-style relationship. The EU was the teacher and East Asia was the learner with regard to how a free market economy should operate. Following principles enshrined through the Washington Consensus,<sup>11</sup> East Asian countries were encouraged to liberalise, privatise and deregulate, as were countries in other regions such as Latin America and sub-Saharan Africa. Many did, with South Korea and Thailand as prime examples of East Asian countries that rapidly opened up their capital markets.

This teacher-to-student relationship in the economic area was arguably clearest in negotiations regarding China's accession to the World Trade Organisation (WTO). The EU was initially opposed to China's membership to the WTO when the organisation was launched in

1995. Then followed a period of six years in which the EU demanded a long list of concessions from China for the country to be admitted to the WTO.<sup>12</sup> Certainly, there was an element of protectionism and mercantilism in Brussels' position. However, at the same time, there was a belief that China should 'modernise' its economy. Indeed, the EU's refusal to give China a 'Market Economy Status' relates, to a large extent, to the belief that Beijing needs to introduce changes that will help to further modernise the Chinese economy.<sup>13</sup>

Concurrently, EU-East Asian economic interactions throughout the 1990s could be said to have been dominated by European countries insofar as they dictated trade and investment patterns. Trade flows were dominated by the export of low value added goods from East Asia to the EU, and the export of high value added goods and services in the opposite direction. Meanwhile, foreign direct investment (FDI) was basically unidirectional, with East Asian countries receiving large flows from European companies. Japan and South Korea were the only countries in East Asia with high levels of outward FDI towards the EU.<sup>14</sup> This exception did not prevent the EU from having a dominant position in bilateral economic interactions.

### *A new century, a new economic dynamic*

The turn of the century consolidated a significant shift in EU-East Asia economic interactions already visible in the previous years. The dynamism and exponential economic growth of most East Asian countries changed third-party perceptions. This was manifested in the Commission's 'Europe and Asia: A Strategic Framework for Enhanced Partnerships' 2001 communication. The EU acknowledged that East Asia had become an economic partner.<sup>15</sup> Meanwhile, East Asian countries became more self-assured after a swift recovery from the East Asian financial crisis. The perception in East Asia was that the region had a different economic model from the EU, in which the government played a more central role.

East Asian countries began to deal with the EU as their economic equal. The creation of regional structures, most notably the Chiang Mai Initiative and the Asian Bond Markets Initiative, increased regional integration and decreased dependence on foreign capital and market developments, at least for the more developed countries in the region.<sup>16</sup> Meanwhile, the consolidation of the ASEAN+3 framework strengthened regional integration. Therefore, East

Asian countries became more assertive in their relationship with the EU. This was best symbolised by ASEAN's refusal to proceed with region-to-region free trade agreement (FTA) negotiations with the EU due to Brussels' insistence on excluding Myanmar from the process.<sup>17</sup>

Market dynamics also shifted throughout the 2000s. The growth in intra-regional trade and investment flows made East Asian countries less dependent on American and European markets and FDI. China was at the centre of economic regionalisation in East Asia. With the growth in Sino-European trade, a relationship of mutual dependence ensued. This strengthened the position of East Asia as a whole *vis-à-vis* the EU. Moreover, the growth in greenfield investment from Japanese and South Korean companies in the rest of East Asia further regionalised East Asia's economy, reducing the market share of European companies.

As a result of these dynamics, EU-East Asia economic relations became more legalistic. The WTO's dispute settlement body became the main arbitrator of disputes between East Asian countries and the EU. Brussels was especially active in initiating proceedings against Japan and South Korea, two direct competitors in high-end manufacture.<sup>18</sup> South Korea and Thailand were equally

active in taking the EU to the dispute-settlement body.<sup>19</sup> Meanwhile, the EU also denounced the alleged malpractices of East Asian governments, most notably China, and protectionism rose in certain member states reluctant to accept the acquisition of assets by companies from less developed East Asian countries.

### *Political and Security Relations*

Similarly to EU-East Asia relations in the economic area, in the 1990s the EU considered East Asia a region in need of political 'modernisation'. Few East Asian countries were liberal democracies in the first half of the decade. With the third wave of democratisation having already reached the Philippines in 1986 and South Korea in 1987, the EU expected other East Asian countries to follow suit. Brussels stood ready to support their transformation into fully fledged democracies respectful of human rights.<sup>20</sup> However, by the end of the decade only Cambodia and Indonesia had joined the other East Asian democracies. Therefore, throughout the 1990s the EU publicly criticised a perceived lack of political freedom in East Asia.

Brussels also criticised East Asia's 'imperfect' integration, with particular emphasis on ASEAN.<sup>21</sup> The EU saw itself as a model of integration for East Asia. Replicating the Confucian-style,

teacher-to-student approach taken in the area of economics, the Commission and the European Parliament sent delegations to ASEAN to share their experience. Many articles and reports were written on how the experience of the EU with integration could serve as an example for ASEAN. However, ASEAN seemed to be wary of following the European example. Thus, the term 'ASEAN Way' was coined to describe a model of integration based on the principles of non-interference in the domestic affairs of each other, pacific settlement of disputes, respect for the independence of each other, and respect for the territorial integrity of each other.<sup>22</sup>

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Political differences between both regions and a lack of bilateral security problems made the EU and East Asia launch a region-to-region dialogue as the most effective means to deal with each other. The Asia-Europe Meeting (ASEM) was launched in 1996 as a forum for

both regions to interact. Region-to-region dialogue was seen as a way to strengthen discussion of shared problems and negotiate and reach agreements.<sup>23</sup> However, it proved ineffective. Thus, bilateral dialogues between the EU and ASEAN, China, Japan and South Korea respectively, became the preferred mechanism for engagement between the EU and East Asia.

The absence of bilateral security problems following the end of Cold War divisions meant that security interactions between the EU and East Asia were limited. However, the Maastricht Treaty established a Common Foreign and Security Policy (CFSP) for the EU in 1993. The EU enhanced its security profile, and East Asia became one of the regions in which Brussels sought to become more actively involved. The EU joined the only East Asia-wide security initiative, the ASEAN Regional Forum. More importantly, the EU became an executive board member of the Korea Energy Development Organisation, an essential component of the Agreed Framework that put an end to the first North Korean nuclear crisis of 1993-94. The EU was therefore exercising its normative power by being involved in initiatives aimed at solving security problems through dialogue and cooperation.

### *Changed security paradigms after 9/11*

The terrorist attacks of 9/11 and subsequent Al Qaeda-induced terrorist actions in Bali, London and Madrid had a profound effect in the EU and East Asia. The 9/11 attack led to greater coordination at the global level to counter the threat of terrorism. The attacks in the EU and East Asia made countries in both regions realise their vulnerability. Therefore, initiatives and dialogues to promote cooperation between East Asian countries and the EU gained prominence as the 21<sup>st</sup> century advanced.

Bilateral rather than region-to-region relations were the main conduits for discussions of enhanced cooperation. Japan and the EU launched a new Action Plan in 2001, South Korea and the EU held their first ever summit in 2002, and China and the EU signed a strategic partnership in 2003. These three countries and the EU discussed security matters, such as counterterrorism and non-proliferation, at a bilateral level. This improved coordination between each of them and the EU. However, ASEM's importance declined. In the aftermath of 9/11, ASEM actually drove a process of inter-regional cooperation on counterterrorism and related security matters.<sup>24</sup> However, this process quickly

lost momentum as Brussels and its East Asian counterparts made clear their preference for a network of bilateral relations to enhance security cooperation.

Concurrently, political and security relations improved at the global level. East Asian countries became increasingly involved in global governance structures such as the United Nations institutional network or the International Atomic Energy Agency. This enhanced cooperation between the EU and East Asia. It also moved relations between them towards a dialogue among equals.

East Asia's rise reduced the need for the EU to be involved in the resolution of regional problems. The EU was invited to lead the Aceh Monitoring Mission, established to demilitarise the Free Aceh Movement while providing greater autonomy to this Indonesian region. This showed that 'normative power Europe' could serve as a powerful device to make the EU involved in regional politico-security affairs. Its soft power allowed Brussels to become involved in the resolution of a long-standing conflict in East Asia.<sup>25</sup> However, the EU was excluded from negotiations to put an end to the second North Korean nuclear crisis. This exclusion demonstrated that East Asian countries would only accept the intervention of the EU in regional affairs when it suited them.

## EU-East Asia Relations during the Global Financial Crisis

The GFC of 2007-08 was global in name but did not affect different parts of the world to the same extent. The crisis began in the U.S. and swiftly extended to the EU, a result of the degree of financial interdependence between them. During the first months of the crisis, East Asia was relatively unaffected by the economic malaise engulfing the U.S. and the EU. Some commentators even talked about a decoupling between East Asian economies and the West, an issue already under discussion before the crisis.<sup>26</sup> This implied that EU-East Asia economic relations were not as close as they had been before.

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Nevertheless, the GFC eventually affected the economies of East Asia as well. The first half of 2008 was especially negative for countries in this region. This created a sense that the economic

destinies of the West and East Asia were intertwined. Moreover, given that electorates affected by the crisis going to the polls were ejecting incumbent governments, there probably was a sense also that the future of political leaders rested upon a swift resolution of the crisis.

The GFC therefore had a profound impact on EU-East Asia relations. On the one hand, there was a perception that this was a crisis created by a Western economic model based on liberalisation and deregulation. East Asia could not be blamed for it. On the other hand, there was a sense that the crisis could only be solved through cooperation at the global level. East Asian and European leaders, representing the two biggest economies in the world, needed to work together to solve the crisis. Economic, political and security dynamics show how the GFC fundamentally transformed EU-East Asia relations.

### *Economic Relations*

The evolution of economic relations between the EU and East Asia that had been seen before 2007 was consolidated during the GFC. East Asian countries considered themselves at least equal to the EU in terms of economic importance. They became assured of the validity of their economic model. Therefore,

the economic model proposed by the EU was not considered more ‘modern’ or superior; it was simply deemed a different model, neither better nor worse than East Asia’s. Meanwhile, the EU sought to make the most of East Asia’s economic growth, definitely leaving behind criticism of it or calls for its ‘modernisation’ along a Western model.

The mutual perception as peers in the area of economics led to entrenchment of a legalistic approach to managing relations. Throughout the GFC, the WTO dispute settlement body received EU complaints about China and Thailand, as well as Japanese complaints about the EU.<sup>27</sup> Concurrently, a reform of the IMF voting quotas gave a larger voting share to most East Asian countries, while reducing the share of EU member states.<sup>28</sup> This was a means to legally enshrine the decreasing differences between the EU and East Asia in terms of economic development.

This decrease was reflected in market interactions between both regions. Bilateral trade flows between all East Asian countries declined and growth slowed down in 2008. But there was a significant change in FDI flows, with cash-rich East Asian companies acquiring depressed European assets. Japanese financial holding Nomura’s acquisition of Lehman Brothers investment banking

and equities businesses in Europe symbolised this change. Equally relevant, sovereign wealth funds from China, Malaysia, Singapore or South Korea also invested heavily on European companies whose market values had plunged as a result of the GFC. In general, EU member states welcomed this investment and did not seek to curtail it with protectionist measures.<sup>29</sup>

Arguably, the most significant long-term economic trend that will result from the crisis will be the entrenchment of East Asian countries in global financial and economic governance. Changes to the IMF quota system signalled this. Better known is the upgrading of the G20 to the main forum for government leaders to discuss economic and financial governance. The G8, which only included one East Asian country, Japan, was rendered obsolete by the GFC. The G20, including the four East Asian countries of China, Indonesia, Japan and South Korea, *de facto* replaced the smaller grouping. More relevant but less discussed in the media was the process behind the negotiation of the Basel III Accord on capital adequacy requirements. East Asian central bankers, most notably China's, were actively involved in the negotiation process. This marked a big contrast with the Basel I and II accords, which were the result of negotiations between the U.S. and some European

countries. Indeed, the regulation of financial activities prior to the GFC had been a transatlantic affair.<sup>30</sup> The fact that East Asian countries proved willing to be central players in the negotiation of a new accord means that the EU ought to discuss financial governance with them.

### *Political and Security Relations*

The effects of the GFC went beyond the area of economics. Indeed, EU-East Asia interactions in the area of politics and security were also affected by the crisis. Before 2007, East Asian countries and the EU were discussing politico-security issues on a bilateral basis. However, there was an acknowledgement that shared threats necessitated cooperation among a large number of actors to be dealt with. These threats did not disappear, but the GFC made the EU and East Asia increase joint operations at the global level. Bilateral dialogue was used to discuss these issues, with resolution being implemented on a multilateral basis.

The resilience or emergence of new shared security threats consolidated cooperation between the EU and East Asia in multilateral initiatives. The Proliferation Security Initiative launched by the U.S. in May 2003 had already become a quasi-permanent institution to fight against the proliferation of weapons

of mass destruction. All EU member states and most East Asian countries were part of it, therefore participating in joint training sessions and sharing information.<sup>31</sup> In June 2008, a new multilateral initiative was launched when the United Nations Security Council passed a resolution to fight piracy off the coast of Somalia. The EU launched Operation Atalanta to implement this resolution. Many East Asian countries also sent their navies to the waters off the Somali coast. East Asian and European navies joined the U.S. and other countries under Combined Task Force 150,<sup>32</sup> therefore being part of the same coalition. Partly as a result of the GFC, the EU and East Asia were cooperating on tackling shared threats to reduce costs while increasing effectiveness.

Strengthening of political cooperation between the EU and East Asia was another effect of the GFC. Similarly to security cooperation, region-to-region relations were displaced by cooperation in multilateral fora. EU and the East Asian countries discussed politico-economic issues, such as regulatory reform of the credit rating agencies sector or new disclosure requirements for tax havens, in multilateral fora, most notably the G20 but also the Organisation for Economic Co-operation and Development or the Bank for International Settlements. The relevance of ASEM as a forum for the

EU and East Asia to engage in a dialogue about political issues therefore decreased further.

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**Beyond theoretical discussions about the rise of East Asia and the decline of the EU, there are objective indicators that economic power is moving from West to East.**

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Notwithstanding the increasing cooperation in multilateral fora, the GFC made clear the importance of regional channels of cooperation. Therefore, countries in each region reinforced mechanisms to find regional solutions to shared problems. In the case of East Asia, China, Japan and South Korea launched a trilateral Leaders Summit in December 2008.<sup>33</sup> The summit built on regular meetings the three countries have been holding since 1999 within the ASEAN+3 framework. Concurrently, ASEAN+3 sectoral dialogues and meetings kept increasing in number and scope. In the case of the EU, the GFC and negotiations on the Lisbon Treaty reignited the debate over the need for greater political integration, especially among Eurozone member states.<sup>34</sup> Both the EU and East Asia refrained from commenting on these political processes in each other's states.

## EU-East Asia relations during the Eurozone Sovereign Debt Crisis

The ESDC began to unfold in 2009. Following the victory of George Papandreou's Socialist party in the Greek presidential election that took place in October of that year, the new government admitted a debt burden much higher than previously thought. In January 2010, the EU announced that Greek authorities had been misrepresenting economic figures, with Greece's budget deficit for 2009 more than trebled to 12.7%. In May 2010, Eurozone countries and the IMF provided a €110bn bailout for Greece. With Greece sovereign debt problems not disappearing, concern spread to other Eurozone countries. In November 2010, Ireland received an €85bn bailout, with Portugal following suit in May 2011 with a €78bn bailout. At the time of writing, Greece has received a second bailout, banks in several EU countries have also been rescued, the European Central Bank is buying Italian and Spanish sovereign debt, and the expectation is that the crisis will not be solved until 2014 at the earliest.<sup>35</sup>

In sharp contrast, East Asian economies resumed growth in late 2009 and have been expanding rapidly since

then. The only exception has been Japan, which suffered one of the most powerful earthquakes in the last century anywhere in the world, along with a destructive tsunami, in March 2011. The contrast between the economic dynamism of East Asia on the one hand, and the slow recovery in the U.S. and the ongoing crisis in the Eurozone, on the other, has prompted talks of a shift in economic and political power from West to East.<sup>36</sup> China and other East Asian countries are now seen as major voices in an increasing number of issues.

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Eurozone member states have been courting investment from East Asia by sending trade delegations and receiving political and business leaders.

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The different directions of the EU's and East Asia's economies as a result of the ESDC have reinforced dynamics already visible during the GFC. Greater engagement at the global level is clearly evident, and a rebalancing of bilateral relations is noticeable as well. At the same time, East Asian countries, in particular China, have become increasingly assertive in their dealings with the EU.<sup>37</sup> The effects of the ESDC on EU-East Asia interactions therefore go beyond a new economic relationship.

## *Economic Relations*

Economic relations between the EU and East Asia have been undergoing deep changes since the early years of the 21<sup>st</sup> century, if not before. The ESDC has consolidated these changes. Countries in East Asia do not consider their economic model inferior to the West's. If anything, they consider it superior. Their good economic performance since the onset of the GFC has strengthened this belief. Coupled with the contrast between their swift recovery from the East Asian financial crisis and the EU's problems to put an end to the ESDC, East Asian elites now seem to be content with an economic model in which the state plays a central role in conducting growth and stability. In contrast, the European model based on a generous welfare state seems to be in doubt even within the EU.<sup>38</sup>

Beyond theoretical discussions about the rise of East Asia and the decline of the EU, there are objective indicators that economic power is moving from West to East. In October 2010, a second IMF reform was agreed. European countries agreed to give up two of their eight seats on the 24-member board, and over six percent of voting power was transferred to non-Western countries.<sup>39</sup> Meanwhile, China, Hong Kong, Indonesia, South Korea and Singapore joined the 2009

Basel Committee on Banking Supervision (BCBS).<sup>40</sup> Entrusted to set up guidelines and standards in a number of areas, the BCBS has produced the Basel III Accord on capital adequacy requirements, which should be one of the main tools to avoid future financial crises as deep as that of 2007-08. East Asian bankers had already been involved in Basel III negotiations before they joined the BCBS; being part of this committee signals their increasing clout.

The evolution of trade and FDI flows between the EU and East Asia has followed the path initiated even before the GFC. Bilateral trade flows between individual East Asian countries and the EU have followed their long-term growth trajectory following the decrease in 2008. Meanwhile, FDI flows from East Asia into the EU have increased. Cash-rich East Asian companies and sovereign wealth funds have been investing heavily in the EU. Most notably, Eurozone member states have been courting investment from East Asia by sending trade delegations and receiving political and business leaders. The protectionism that existed prior to the crisis has disappeared. Moreover, European companies suffering from slow growth in the EU have become increasingly active in East Asia to offset decreasing sales at home.

The growth in bilateral trade and FDI has led to a significant change in the economic strategy of the EU towards East Asia: a move towards bilateral FTAs with selected countries in the region. In 2011, the first ever bilateral FTA between the EU and an East Asian country, South Korea, entered into force. Negotiations on the FTA had only started the year before. Meanwhile, Malaysia, Singapore and Vietnam have launched negotiations for their own bilateral FTAs with the EU.<sup>41</sup> In 2012 Japan and the EU began to discuss the possibility of launching similar negotiations.<sup>42</sup> These developments demonstrate that region-to-region relations in the area of economics have been abandoned.

### *Political and Security Relations*

Economic relations have had an impact on EU-East Asia political and security relations since both regions started interacting. Due to historical factors, the EU at first saw its role in bilateral political relations as that of a model for East Asia's 'modernisation'. East Asian leaders, however, thought differently. As a result, EU-East Asia political and security interactions have been increasingly characterised as dialogues between equals. The ESDC has underlined this dynamic. However, developments within each region have also highlighted the limits of region-

to-region or even country-to-country cooperation. Moreover, shared security challenges have not disappeared, even though responses have been regionalised.

Similarly to developments in the area of economic relations, Brussels and its East Asian counterparts now consider themselves equals. This can be seen as beneficial insofar as region-to-region relations under the ASEM framework did not produce the results expected when this initiative was launched, back in 1996. The Strategic Partnership between China and the EU, signed in 2003, had already deepened and widened the dialogue between them prior to the GFC. Throughout the ESDC, the EU has sought to implement similar mechanisms with other East Asian countries. Thus, Seoul and Brussels reached a bilateral Framework Agreement in 2010. The agreement upgraded the relationship and should serve to strengthen political relations between the EU and East Asia, while allowing South Korea to deal with the former on an equal footing. In the meantime, Japan and the EU are negotiating a similar agreement which would replace the Action Plan signed in 2001,<sup>43</sup> now seen as insufficiently ambitious. Several Southeast Asian countries and the EU are also in the process of negotiating upgraded agreements or implementing newly signed ones.

Joint work in multilateral fora to deal with political and security issues has not been weakened as a result of the ESDC. On the contrary, cooperation at the multilateral level seems to be strengthening, due to the ongoing decrease in inter-state conflicts since the end of the Cold War. Nonetheless, developments taking place at the same time as the ESDC have further highlighted the limits to cooperation at the global level. In the case of the EU, the Lisbon Treaty entered into force in December 2009. The treaty should eventually lead to greater cooperation among member states, thus consolidating the process of European integration. This means that the EU will pursue domestic initiatives regardless of whether they are agreed upon with third parties or not. Arguably more relevant, considering that the EU used to be involved in East Asian security matters, is the launch of the ASEAN Defence Ministers' Meeting Plus in 2010. This is an annual meeting involving defence ministers of ASEAN+3 plus a selected number of countries, most notably the U.S. The meeting has rapidly become the most high-profile security institution in East Asia. But Brussels is not a part of it. Countries in the region have therefore demonstrated that the EU is not welcome to deal with East Asian hard security matters.

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Furthermore, the ESDC has led to a new development in the form of open political pressure on the EU from East Asian countries on matters of their concern. China has been the most vocal country in this respect. Beijing authorities first called for the EU to sort out its economic situation. They have subsequently criticised Brussels on other unrelated matters. Most notably, the Ministry of Foreign Affairs released a statement in January 2012 arguing that 'to blindly pressure and impose sanctions on Iran are not constructive approaches', thus openly chiding the EU for its unilateralism on the Iran issue.<sup>44</sup> Even other countries hitherto not known for their open criticism of third parties have criticised the EU in public. In November 2012, the Japanese prime minister Noda Yoshihiko scolded the EU for the delay in solving its economic situation, and demanded that EU member states agree to allow bilateral FTA negotiations to begin.<sup>45</sup>

## Conclusion

EU-East Asia relations have undergone dramatic changes since the collapse of the Soviet Union and the subsequent end of the Cold War. Foremost, relations are now driven by, on the one hand, bilateralism between the different countries in East Asia and the EU, and on the other, interactions at the multilateral level. Region-to-region relations are now an afterthought. ASEM has failed to drive EU-East Asia relations and is unlikely to do so in the near future. Two factors explain this move towards bilateralism and multilateralism in EU-East Asia relations: firstly, the rise of East Asian countries, which want to be treated individually, forces third parties to have to consider their views on global issues; and secondly, the recognition on the part of the EU that only by dealing with East Asian countries on a bilateral basis will it be able to have a degree of influence in the region.

Another relevant change to EU-East Asia relations is the shift towards a relationship between equals. Gone are past European pretensions of providing a blueprint for East Asia's 'modernisation' and integration. Today it is recognised that the EU and East Asia have different economic and integration models, with their similarities and differences.

Furthermore, countries in East Asia have made it clear that their political systems are a domestic issue. Brussels has shown its willingness to treat East Asian countries on an equal basis, engaging them bilaterally or at the global level when necessary. The aforementioned factors help to explain why the EU and East Asia see each other as equals. Another factor is enhanced cooperation, which reinforces the process of EU-East Asia relations being more equal.

In addition, EU-East Asia relations have become more institutionalised. Interactions now are governed by the rules and regulations set up by multilateral institutions such as the WTO, as well as by the decision-making mechanisms of others such as the BCBS or the IMF. Concurrently, bilateral documents such as the EU-Korea FTA or the EU-China Strategic Partnership are also making the relationship more institutionalised. These are signs of a more mature and predictable relationship, governed by agreed rules. The main factor behind the institutionalisation of EU-East Asia relations is that both global governance and regional relations in each of them have become increasingly institutionalised since the end of the Cold War as well. East Asian countries and EU member states are more used to institutionalisation, which is reflected in their interactions.

These characteristics of the relationship between the EU and East Asia are unlikely to change once the ESDC is over. They have been bolstered both by this crisis and the earlier GFC. However, they are the result of decades-long dynamics that will probably continue

for the foreseeable future. Thus it is to be expected that the EU and East Asia will increase cooperation on issues of mutual concern or from which both can benefit, while respecting each other's independence in dealing with internal matters.

## Endnotes

- 1 East Asia is understood in this article to include all the countries that are part of ASEAN+3. The author acknowledges that there is an ongoing debate regarding which countries are part of East Asia. However, circumscribing the article's analysis to ASEAN+3 serves the analytical purposes of this article.
- 2 For the sake of simplicity, the name EU will also be used to refer to the European Economic Community in this article.
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