facts and figures concerning the EU’s engagement in the Asia-Pacific
The EU's engagement in the Asia-Pacific

The Asia Pacific region has become central to world-wide prosperity and to the EU’s growth prospects. The world's largest population buys almost a quarter of EU exports; it is among the fastest-growing export markets and is home to the fastest-growing economies. In addition, the European Union has a strategic interest in regional security and stability in Asia. Almost 50% of world shipping by tonnage transits the South China Sea. Tensions on the Korean Peninsula or across the Taiwan Strait have significant potential to hurt the EU's interests, as demonstrated the 2010 earthquake in Taiwan which impacted negatively on the world wide supply chains especially in the IT sector. China alone will account for more than one-third of increase in global energy demand by 2035. The EU cannot expect to address seriously any of the major global challenges - from climate change to terrorism - without strong cooperation with its Asian partners.

Asia is a continent which is diverse in history, culture, economic development, political systems. Drawing on its own experience, characterised by "unity in diversity" the EU has a long history of engagement, starting back in the 1970ies.

However, 2012 has seen a particularly active EU engagement in Asia, with an unprecedented series of high-level meetings, visits and Summits which culminated in November in the 9th ASEM Summit in Laos. In many respects, 2012 can be called a “Year of Asia” for the EU.

The EU is very much in the news, also in Asia, admittedly not always for the good reasons. But the concern expressed in Asian public opinions and media about the Eurozone debt crisis is proof of our growing economic interdependence. To set the scene clearly: The European Union is still a central pillar of the world economy – and will remain so. Although the EU may be projected to grow only very slowly in 2012 and 2013 it remains the largest economy in the world, with a per capita GDP of €25 000 for its 500 million consumers. That represents a €12.6 trillion economy. Only the United States (€11.5 trillion) is in the same league; even China (€5.5 trillion) and Japan (€5.2 trillion) are considerably smaller. There are 135 European Union companies in the Fortune 500, more than the United States (132), China (75) and Japan. On top, the Asian and European economies are interwoven, linked by various maritime routs which all translate into a strategic interest of the EU in the region.

Therefore the EU has to show the flag in drawing on its own strength in communicating its interests, in order to make its contribution and its engagement more visible and understandable to the Asian and European publics. The message is clear; the EU has crucial interests in the region not only in trade, finance and energy but also in politics, human rights and security, it has significant leverage, and it is committed to act as an active and constructive player in the new Asian regional architecture.
The EU can also build on its past achievements: Having developed two Asia strategies in 1994\(^1\) and 2001\(^2\), having set up the Asia Europe Meeting (ASEM) in 1996 with Asian partners building on a longstanding dialogue with ASEAN, the EU is now the major or one of the major economic partners for nearly all Asian countries. As many of them are export-driven economies they depend on the economic performance of the EU and the US. In turn, market access as well as the state of the economy has become a policy tool.

**Trade and investment in figures:**

In 2011 Asian ASEM partners provided 33,4% of EU imports and 38,2% of exports which makes Asia the largest trading partner of the European Union (42,5% of total trade). China is the largest source of imports and the second best client of the Union; Japan, despite decades' long crisis maintains in both categories the number 6 slot, India number 8, South Korea slot 10 and 11 respectively.

For the Asian partners the EU is the most important trading partner, in terms of exports and imports, outperforming the US, China, Japan, South Korea, Hong Kong, Malaysia, Singapore, Australia, Indonesia and Thailand.

The EU is also a major **investor** in Asia: in 2010 17,2% of EU outward investment went to Asia, while 24,7% originated in Asia; the largest outward investment share is held by Singapore (7,3%) while Hong Kong holds the top position in inward investment (13,8).\(^3\) The EU holds a positive balance of FDI stocks of €308 bio.

**Milestones:**

The **2001 Strategy “Europe and Asia”** of 2001, identified six objectives for EU-Asia cooperation\(^4\) including enhanced engagement with the region to contribute to peace and security; strengthened mutual trade and investment flows; development cooperation and eradication of poverty; contribution to the protection of human rights, the spread of democracy, good governance and the rule of law; work towards global governance and environmental protection; raise mutual awareness.

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\(^4\) Concrete cooperation and policy approaches with Asian sub-regions and countries have been developed through a series of new Communications on South-East Asia, India and China.
In its **2003 Security Strategy** the EU specified its interest in the Asia-Pacific region:

“In an era of globalisation, distant threats may be as much a concern as those that are near at hand. Nuclear activities in North Korea, nuclear risks in South Asia, and proliferation in the Middle East are all of concern to Europe. Terrorists and criminals are now able to operate world-wide: their activities in central or southeast Asia may be a threat to European countries or their citizens… Our history, geography and cultural ties give us links with every part of the world: our neighbours in the Middle East, our partners in Africa, in Latin America, and in Asia. These relationships are an important asset to build on. In particular we should look to develop strategic partnerships, with Japan, China, Canada and India as well as with all those who share our goals and values, and are prepared to act in their support.”

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### 2012 – The EU in Asia Year

In 2012, the EU in Asia Year, the European Union was particularly active in the Asia Pacific region as reflected in the following:

- Two summits with China within one year and regular summits with India and Korea. In connection with the **Asia Europe Meeting (ASEM)** Summit both EU Council President Van Rompuy and the President of the European Commission Barroso will make bilateral visits (Vietnam, Cambodia, Laos; Burma/Myanmar, Thailand and the Bali Democracy Forum in Indonesia), at the ASEM summit in Vientiane the presidents will make use of the possibility for many bilaterals with the attending heads of state or government.

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The **Treaty of Amity and Cooperation (TAC)** is a non-aggression and cooperation pact between ASEAN members and their partners; it is also a precondition for membership of the East Asia Summit. The treaty was signed in February 1976 by the leaders of the then-members of ASEAN (Indonesia, Malaysia, Thailand, Singapore, Philippines). Today, the parties to the TAC are the 10 ASEAN member states, Papua New Guinea, China, India, Japan, Pakistan, South Korea, Russia, New Zealand, Mongolia, Australia, France, East Timor, Bangladesh, Sri Lanka, North Korea, the United States, Turkey and Canada. Brazil and the UK are to become members soon. The EU lodged an application to accede to the TAC on 7 December 2006. The process of accession took long because ASEAN had to amend - through a Third Protocol - the Treaty to enable "regional organizations" to accede. This Protocol has been signed in 2010, and entered into force on 12 June 2012.

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The High Representative, Cathy Ashton, co-chaired the 19th ASEAN-EU Ministerial Meeting, opened an office in Rangoon, paid a visit to Thailand, Pakistan and Hong Kong, held the 3rd strategic dialogue with China and called on Hong Kong. She attended the ASEAN Regional Forum (ARF) Ministerial Meeting and signed in its margins the Treaty of Amity and Cooperation (TAC) on behalf of the EU.

**Lady Ashton signing the Treaty of Amity and Cooperation (TAC)**
ASEM is the key region-to-region dialogue between Europe and Asia. ASEM (Asia-Europe Meeting) was inaugurated at the ASEM 1 Summit in Bangkok in 1996 as a platform for enabling policy dialogue between Europe and Asia on political, economic, social and cultural issues. ASEM Summits occur every two years.

The EU confirms its leadership and support for the ASEM dialogue. Since the Lisbon Treaty - the EU (both Council and Commission) are leading and driving the European dialogue with Asia in ASEM as in other fora. Europe uses the ASEM Summits and other ASEM meetings - which now include a majority of the G20 members - to enhance Asians’ understanding and support for the EU’s approach to addressing global issues such as climate change, security challenges, economic and financial policy and human rights, people-to-people and cultural issues. ASEM is equally a forum in which listens and seeks further to understand Asia policy and regional developments. ASEM is open and inclusive - for example Russia, Australia, New Zealand and Bangladesh have recently acceded to ASEM, and on the European side Norway and Switzerland participated alongside the Europeans for the first time at the last ASEM 9 Summit in Laos in November 2012.

At the 9th ASEM Summit in Vientiane, Laos, the EU was represented by the whole time by both Presidents Van Rompuy and Barroso and several European heads of state or government. The Main issues discussed were: Economic and Financial issues: There was a most important and substantial discussion, dealing primarily with the Euro-zone and European policies. European speakers provided Asian side with a thorough and individually nuanced commentary outlining the progress and challenges in Europe. The theme emerged that Asia and Europe are both facing challenging global adjustments and that Asians too must address challenging issues such as, social protection, over-dependence on exports, and poverty. On global issues there was a comprehensive discussion reflecting the diversity of issues at stake, showing a general convergence of views, except on climate change. On regional issues leaders conducted an open discussion on regional issues where opposing views on whether bilateral or multilateral solutions should be sought were expressed. Developments in Burma/Myanmar were commended by many speakers. In reference to social and cultural cooperation agreement was reached to deepen cooperation to foster people-to-people exchanges. Taking into account the growing number of participants – Norway, Switzerland and Bangladesh were welcomed in Vientiane – the future of ASEM and improving the working methods of ASEM were dealt with.

The EU announced the hosting of the 10th summit in Brussels in 2014.

Together with the Secretary of State Hilary Clinton the HRVP issued a Joint Statement on the Asia Pacific region with the USA adding an Asian-Pacific dimension to the trans-Atlantic one. Although a bilateral statement it contains an open invitation for Asian partners to join the EU and US in their endeavours and recognizes the centrality of ASEAN and is. Significantly in terms of politics and security the Statement deals with several important issues for the region’s stability: the EU and the US pledge to support cooperative solutions for resolving territorial disputes in the South China Sea according to international law and urge ASEAN and China to conclude a Code of Conduct to this end. Furthermore, maritime security, including counter-piracy, North Korea’s denuclearization, change in Burma/Myanmar and human rights are dealt with.

The EU has updated the 2007 Guidelines on the EU’s Foreign and Security Policy in East Asia. This update takes particularly the new hotspot South China Sea into account and urges the parties concerned "to resolve disputes through peaceful and cooperative solutions and in accordance with international law (in particular UNCLOS), while encouraging all parties to clarify the basis for their

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claims; recall previous work to build a collaborative diplomatic process on these issues at the regional level, and encourage ASEAN and China to build on this foundation and agree on a Code of Conduct; and, if welcomed by the relevant parties, offer to share the experience of the EU and its Member States in relation to the consensual, international-law-based settlement of maritime border issues, and to the sustainable management of resources and maritime security cooperation in sea areas with shared sovereignty or disputed claims.8

- In recognition of the EU's "significant interests in the region" the High Representative also issued in September 2012 a statement urging "all parties concerned to seek peaceful and cooperative solutions in accordance with international law, in particular the UN Convention on the Law of the Sea and to clarify the basis for their claims. The EU calls on all parties to take steps to calm the situation."9

- The EU is also assisting Afghanistan to overcome 33 years of conflict and is working with other countries of the region in fields such as education, rural development, health and strengthening their democratic institutions.

### Partnership and free trade agreements

- Negotiations on Partnership and Cooperation Agreements (PCAs) and Free Trade Agreements (FTA) are on-going in the region. While the FTAs will boost economic relations, the PCAs establish a strategic framework for comprehensive engagement

- Partnership and Cooperation Agreements were signed recently with Indonesia, Vietnam and the Philippines; PCA talks are under way with Malaysia, Singapore and Brunei Darussalam. PCA negotiations with Mongolia are completed and the PCA now awaits signing.

- Over one year ago, on 1 July 2011, the EU-Korea Free Trade Agreement (FTA) entered into force. It became the first free trade agreement that the EU has ever completed with an Asian country. Some 70% of bilateral trade is now already duty free, and over the first year of implementation EU exports to South Korea increased by 15%.

- FTA negotiations are under way with India, Singapore, Malaysia, and Vietnam and FTA exploratory talks are on-going with Indonesia, the Philippines and Thailand. The EU remains ready to extend an FTA to the whole of ASEAN when feasible. In parallel, FTA negotiations with India are continuing. Furthermore, the scoping exercise for an EU-Japan FTA and a parallel Framework Agreement

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covering political, global and sectoral issues has been concluded. The Council will soon decide on the draft negotiating mandates for both agreements.

- With China, internal procedures are on-going on both sides with a view to launching negotiations on a bilateral investment agreement as soon as possible.

- In the Pacific, agreements are also under negotiation with Australia and New Zealand.

- The combined effect of the planned comprehensive trade agreements with ASEAN, India, Japan, and the investment agreement with China would add EUR 55 billion or 0.43% of EU GDP, add €72 billion of EU exports, and has the potential to create up to 1.2 million of jobs across the EU.

- The EU has a longstanding relationship and dialogue with ASEAN beginning in 1977. The European Union is committed to cultivating closer links with the association and recently earmarked €40 million to support its activities as the EU recognises and supports ASEAN’s centrality in the emerging regional institutional architecture. Consequently, the EU has expressed its interest to participate in the East Asia Summit (EAS) as well as in the enlarged meeting of ASEAN Defence Ministers. The EAS has a good chance to take on at the highest level more responsibility in managing the region in becoming a high level security forum, supplementing the ARF on ministerial level.

Founded in 2005 the **East Asia Summit (EAS)** is a leaders' forum for dialogue on broad strategic, political and economic issues of common interest and concern with the aim of promoting peace, stability and economic prosperity in East Asia. It strives to strengthen global norms and universally recognised values with ASEAN as the driving force working in partnership with the other participants of the East Asia Summit.

- An election observation mission was dispatched to East Timor.

- The EU dispatches high level representatives to the Pacific Island Forum, in 2011 President Barroso and in 2012 the EEAS Chief Operating Officer, David O’Sullivan.
ODA in figures

In 2011 the EU and its Member States were the largest overall donor of official development aid: €53.15 bio. is more than the double of the ODA granted by the US (22.1 bio. €)\(^{10}\). The European Commission alone earmarked €5.187 billion for the 2007-2013 period (Development Cooperation Instrument-Asia). Some of its most important aid beneficiaries are to be found in South Asia and these countries are also becoming increasingly important as trading partners.

Students' exchange

Former students in EU Member States often turn into "EU-ambassadors" after returning, having learnt not only academics but also got to know the European way of life, culture and politics. Since 2007 the EU spends every year almost €30 mio. to facilitate contacts and exchanges between universities which translates into almost 15 000 scholarships granted to students and academics from Asia.

2012: the EU-ASEAN Year of Science, Technology and Innovation

Researchers from Asian ASEM partner countries participate in 732 projects e.g. approx. 10% of all collaboration projects of the seventh EU Framework Programme FP which amounts to €308 mio., of which €163 mio. is covered by the EC contribution (as of October 2012). More than 100 Marie-Curie fellows from ASEAN countries performed research in Europe. In addition, the prestigious ERC grants (European Research Council) are open to ASEM scientists for performing research in Europe or countries associated to FP7. China, India, Korea and Russia are cooperating in the ITER large Fusion Reactor experiment facility in Cadarache, France.

Collaboration is facilitated by S&T agreements with Australia, China, India, Japan, New Zealand, Russia and South Korea, and through a regional policy dialogue with ASEAN. DG RTD has posted Science Counsellors in the Delegations of China, India, Japan and Russia. Coordinated by the Strategic Forum for International Cooperation SFIC, the EU is promoting enhanced cooperation between EU Member States, presently implemented through a pilot initiative with India. In addition, a number of ERANET projects coordinate research programmes jointly funded by a number of EU Member States with ASEAN, China, India, Korea, Japan, and Russia. The new Framework Programme for 2014 – 2020, "HORIZON 2020"\(^{11}\) will remain fully open to international partner countries.


Tourism

People to people exchanges can be further expanded: Europeans like to visit Asia: they spend more than five times more nights there than Asians in Europe: 218 675 287 nights i.a. as opposed to 43 214 816 nights in the EU.

Humanitarian Aid and Civil protection

Through ECHO the EU cooperates in the whole region in disaster prevention or response with individual countries and ASEAN. In 2012 support continued in response to 2011 disasters (floods, tsunami…) for €52,6 mio. ECHO maintains country offices in the region.

Looking ahead - 2013

Our intention is to keep the outlined momentum of our engagement and to consolidate achievements. Therefore we will continue to invest in Asian regional organisations, to work on defining and communicating the EU's positions on key security challenges in the region and make every effort to keep a good pace in the negotiation of the various agreements.

- The HR is closely following the territorial and maritime developments in the region. We will organise a Track II seminar in Indonesia to share with our Asian partners our experience particularly in the management of shared resources.
- There will be summits with India, Japan, and China.
- The EU will continue enhancing its presence in the regional organisations and processes like in ASEM, ARF and Heart of Asia. The EU shall continue searching for creative solutions with partners to get more closely involved in the fora where it is not yet present - EAS, ADMM+, 6 Party-Talks. The HR intends to participate in the Asia Security Summit, the Shangri-la Dialogue in Singapore in June.
- Concerning the strategic partners:
  - Launch negotiations for the Free Trade Agreement and the Framework Agreement with Japan at the next summit.
  - The 16th Summit with China will be the first one with the new Chinese leadership. How to develop the relationship until 2020 will be a demanding exercise.
  - Republic of Korea: celebrating fifty years of diplomatic relations will be a good occasion to deepen the political relationship. On the trade side, the emphasis will be on firming-up all FTA-implementing issues.
• With India, finalising the negotiations for an ambitious FTA will be of prime importance as well as furthering the political relationship.

• For Afghanistan, capacity- and state-building remain the main avenue to promote stability and prepare the 2014 transition. The EU will continue to press the Afghan government to implement the Tokyo framework and is also negotiating a ten year Cooperation Agreement.

• Regarding Pakistan, elections will take place this spring and EU is expected to observe. A second strategic dialogue meeting will take place, in Brussels. An EU Observer Mission is also being programmed in Bangladesh, where elections are due in late 2013 or early 2014.

• With Myanmar the EU's main objective is to deepen support for the political reform process underway. Concrete avenues include EU support to the peace process; the decision on sanctions in April 2013; mapping assistance for the 2015 elections. The EU office will be upgraded to a Delegation which will facilitate these tasks. A Task Force is also under preparation to leverage further support including from the IFIs and the private sector,

• For the Pacific region co-hosting the Pacific Energy Summit with New Zealand in Auckland in March and the Pacific Island Forum in the Marshall Islands are important opportunities to advance cooperation on issues such as climate change. We shall be watching closely the steps being taken by Fidji to establish democratic processes

• Advancing/concluding negotiations on the political and trade agreements engaged with Asia-Pacific partners: With Malaysia, Brunei, Thailand, the overriding objective will be to keep the momentum for the PCA negotiations while with Singapore the PCA negotiations on the back of the FTA deal should be finalised. For the Philippines, progress towards an FTA with this fast-growing economy is an important goal as well as pursuing the implementation in priority areas of the PCA. With Australia concluding FA negotiations are high on the priority list as well as making progress with New Zealand.

• Aiming at a best promotion of EU high-level political contacts, the HR plans in the region:

  ✓ April, visit China and Mongolia (and possibly Japan)
  ✓ June –to speak at the Asia Security Conference, the Shangri La Dialogue in Singapore, plus possible visits in the region.
  ✓ Summer: depending on the final dates, aim to attend the ARF plus EU-ASEAN PMC.
  ✓ Autumn: ASEM Ministerial in Delhi (Nov) in preparation of the ASEM Summit in Brussels in 2014.
High Representative/Vice President Cathy Ashton:

"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."

Michael Reiterer
11-02-2013