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Session V: The Role of Europe

The Role of EU in Asia's Future

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Introduction

What should be the role of EU in Asia? Does EU want to play an active role in Asia and can it afford not to do so? These are some of the fundamental questions that need to be addressed largely by the Europeans themselves, but perhaps with some inputs from Asians.

The next difficult question is if we are to look a little ahead and a little further – what is Asia's future? How will Asia look like in 10-15 years time?

This paper will begin by sketching out some of the parameters we need to examine to get a sense of where Asia is heading before discussing what role the EU can play in shaping or influencing the future of Asia.

Asia's future – what will it look like?

We have seen the spectacular growth of Asia, in particular East Asia for the last 2-3 decades. Looking ahead, Asia will continue to enjoy economic growth but a number of uncertainties are appearing on the horizon. These uncertainties are now accentuated by the global financial crisis and the extensive loss of confidence that has taken all of us by surprise. Though the crisis seemed to have the most impact on the American economy, the truth is that when the world's largest economy sneezes, everyone else catches a cold. The global interdependence, and the linkages between the developed and the emerging economies were clearly demonstrated as the financial tsunami unleashed by the American sub-prime crisis and bursting of the housing bubble caused substantial damage to markets around the world.

Asia, particularly China, with its strong financial reserves will probably weather the storm better than many other emerging economies. Yet, the inevitable has already happened. The growth momentum has slowed, and export-oriented businesses are facing difficulties and bankruptcies as American and European consumers tighten their belts. Recession in America and Europe, credit crunch will slow down foreign direct investments into Asia.

Beyond the immediate external factors – the dramatic slowdown in demand for goods and in investments due to the financial and economic difficulties in the US and Europe – other internal factors will also impact the growth of the Asian economies. There are underlying changes and risks over the horizon that might dampen the mood and challenge Asia's continued growth and prosperity:

Demographic challenges – aging population, gender imbalance and demographic shifts

The demographic development of the most dynamic economy of the last decade, China, is beginning to resemble that of more mature economies like Japan and Germany. Yet the reality is that China today is still relatively poor, and its population is aging at a much

lower income level. As an illustration, Japan reached China's current (2005) median age of about 32.6 years in 1980 when its real income per head (measured in PPP) was about USD15,000. This is in contrast to China's USD4,800 PPP real income per head. The latest UN projection is that between 2005 and 2050, the median age in China will jump by 12.2 years to almost 45 years. (Deutsche Bank Research Report Feb 17 2006).

In short, China is aging rapidly and this process is accelerating. These developments will begin to have an impact 10 – 15 years from now when its large post war baby boom generation reaches retirement age. In fact, around 2015, the number of people in China in the working age will start to fall leading to lower saving rates. All these trends have implications for socioeconomic reforms. China would be the first big power to grow old before it grows rich and this brings to the fore concerns that the infrastructure and savings safety net to support its aging population might not be adequate and Chinese leaders would be under significant economic, financial and social pressure. This in turn would have implications for social stability.

Unnatural gender imbalance in China also threatens its political instability. China's sex ratio at birth is 119 boys to 100 girls. The imbalance which is building up will cause major shocks in the marriage market and serious social problems in a society where tens of millions of men cannot find a marriage partner. Potential for restlessness, criminality cannot be dismissed.

In other parts of Asia, population will continue to rise but the number of elderly people will eventually rise in all Asian countries both in absolute numbers and as a share of the population. What is often also not discussed for fear of sparking controversies is also the demographic shift among ethnic groups and religions. How this would impact political and socioeconomic dynamics is anyone's guess.

Migration challenges – rural-urban migration; large scale displacement of people and pressure of increased migration across the world

Closely related to the divergent demographic development would be the intensification of migration of people within Asian countries. There will be both the migration of low skilled labour and high skilled labour and both types of migration present challenges and opportunities. Asian societies, already diverse, will have more cleavages. What all these augur for the future of Asia will perhaps depend on how integrated Asia will become.

While cross border migration is usually the one that grabs the headline, the implications of rural-urban migration in huge countries like China and India are just as far-reaching. China has chosen primarily the policy to hasten the movement of people into cities by stimulating migration from rural to urban area in order to increase the urban workforce, restrict upward pressures on wages, etc.

In 2000, 35% of China was urbanized and the target for the urbanization rate is to increase by nearly 1.5% annually so that by 2010, 50% of Chinese will be urbanites. The migration of millions in China will be of a scale the world has never seen before, and if we also look at India (though the rate of urbanization is lower than China), we are looking at some 300-500 million people moving from the rural areas to cities. All these have great

implications not only for politics and policy challenges of coping with investments in infrastructure, etc, but the impact this would have on the environment is something to grapple with.

A study done for the Maureen and Mike Mansfield Foundation recently warned of unprecedented urbanization challenges in China. Narrow employment opportunities for those who moved from the rural areas to the cities, the blind expansion of cities that exact high cost on the environment, the bubbles created in the real estate industry and the explosive issues of social security and stability, are challenges that need to be addressed with rapid urbanization (Wen, 2005).

Environmental challenges

Climate change is riding high on both domestic and international political agendas as countries face up to the huge environmental challenges the world now faces. For Asia with big countries with huge population (China and India) that need to continue to rely on manufacturing in the economy and with increasing rates of urbanization, the problems are immense.

The effects of climate change are likely to lead to the displacement of peoples from coastlines and river delta areas, severe natural disasters and increasing food shortages. This would lead to increased human suffering, greater social unrest and pressure of migration.

Competition for resources / rising inequality

The recent hike in food and oil prices and rise in demand for all sorts of raw material suggest that we may be moving into an era of rising competition for resources. Malthus maybe making a comeback and the “limits to growth” thesis is again coming back to haunt us. In an environmentally constrained yet at the same time much more populous world, there will be greater scarcity of three key resources: food, water and energy. Demand for these resources is already beyond that which can be sustained at current levels. Once population growth and the effects of climate change are factored in, it is clear that greater competition for such resources should be expected, both between and within countries, leading in extreme cases to conflict (Abbot, Roger & Slobada, 2006).

Skeptics might point to the fact that all these doomsday theories never come to pass because human ingenuity would see to it that we overcome these shortages through new technology and policy intervention. Indeed some of the shortages may prove manageable, but the picture is less sanguine when it comes to water and habitable environment.

Asia’s future will in part be determined by how much they participate in devising new forms of global governance to manage the competition of resources, and deal with the scarcity and problems of equity and distribution (Moeller 2008).

This brings us to two central questions for Asia with regards to its future.

Two central questions for Asia:

Within Asia - will the sense of common destiny evolve for Asians to take bold steps towards integration as a way to manage these challenges, or would vicious competition and conflicts arise from these problems.

The crisis brought about by the global financial meltdown may spur the Asians towards greater regional cooperation just as the Asian financial crisis in 1997 acted as a catalyst for reflections and re-thinking on East Asian community-building.

With regards to Asia's relations with the outside world – in the last two decades, the story has been the integration of large parts of Asia into the global economy. In the next two decades, the question would be the political integration of Asia into the global political system – which is still seen as “western dominated”. Would China and India continue to accept the present international system and work within the broad framework without demanding drastic changes? Would this change as they acquire more power? Would they rather stay in the international system and help shape the system from within or would they stay outside the system, and seek to change it from outside?

The EU may be able to play a role in helping Asia make the choice with regards to these two central questions. The truth is of course the decisive outside player that will influence the way Asia develops is the US. Yet, that does not mean the EU is totally unimportant. Much will depend on the strength of European integration.

The Role of EU in Shaping Asia's Future

There are two dimensions to this question – should EU play a role and can EU play a role. The answer to the first is obvious. EU should be concerned about Asia's future as the level of interdependence between Europe and Asia is increasing. Asia as a region, and even China by itself, is EU's main trade and investment partner. The various challenges that Asia faces, increasing demand for resources, increasing urbanization has implications for environmental sustainability and security that cannot be ignored by Europe. Asia is therefore of critical concern for EU's security and to be passive to the developments in Asia will be a mistake.

Whether the EU can play a role and how is another dimension that would be determined by several factors – the strength of EU integration and its policy coherence and its relations with the US and China. Can the EU and its member states build institutions and processes that will enable them to deal effectively with other parts of the world? Should and can EU act independently of the US when it comes to Asia. Can EU think strategically and build a truly strategic partnership with China? China has a central role to play in Asia's future, and its relationship with the US is indeed touted as the single most important geostrategic relationship of the 21st century.

EU's CFSP and Coherence as a global actor

The development of EU's Common and Foreign Security Policy (CFSP) and the European Security and Defence Policy (ESDP) signalled the EU's desire to become a comprehensive global actor, and not just an economic or trading power. The developments made in CFSP and ESDP over the last few years have been impressive but they remain essentially an area of inter-governmental cooperation. There remains an "obvious tension between the urge to act collectively and the protection of EU member states' sovereignty" (Smith, 2008: 47). Divergent national policies and persisting allusions to national sovereignty, and the lack of strategic consensus between member states on where, how, when and for what reasons the EU should engage in common foreign and security operations continue to hamper EU's ability to act.

The challenges the EU faces as a growing political actor are tremendous. The decision-making structures and processes in foreign and security policy need to be streamlined and made more efficient. EU needs more coordinated, efficient and effective institutions and enhanced capabilities. However, the rejection of the 2005 Constitution Treaty and the uncertain fate of the Reform Treaty 2007 (Lisbon Treaty) following the Irish "No" vote have put a hold on the reforms necessary to make the EU a more coherent global actor.

At a time when the EU is needed to participate fully as a global player, EU would need first to debate internally ways forward on how to strengthen integration so that its voice can be heard in the global arena.

If the EU should remain "self absorbed" and unable to deepen its political integration, its ability to help shape Asia's future would be lost. Only a united EU in equal partnership with the US can deal with the immense challenges arising from the developments in Asia.

EU-China relations

The European Union's interest in China in the last fifteen years or so can be seen from the number of Commission's Communications exploring the state of relations between China and EU and attempt to develop a coherent EU strategy towards China. China has reciprocated, stepping up relations with the EU, recognising its economic bargaining power in multilateral trade forums such as the WTO. China also sees the EU as a potential partner in creating a multipolar world, which to the Chinese mind is preferable to the hegemonic dominance of the United States.

China pursues its cooperation with the European Union through several channels. There is the bilateral EU-China strand and there is cooperation within the multilateral framework of the Asia-Europe Meeting (ASEM). In addition, China cognizant of the continued variance in foreign policy priorities and approaches of EU member states, also maintained bilateral state-to-state relations with EU member states. All these add to a rather vibrant but also complex partnership in which China has to tread carefully "between maintaining bilateral relations at the national level and responding to Europeanisation" (Kerr & Liu, 2007:1).

The EU and China both proclaimed their interests in promotion of multilateralism and multi-polarity. However, there are differences in the interpretation of these two words and actual practices. For the Chinese there is a tendency to equate multilateralism with multi-polarity, whereas for the EU, multilateralism when practised should encompass characteristics such as adherence to rules and institutions in the international arena, that is, following clearly defined rules of engagement and procedures; the common pursuit of an indivisible goal such as global peace and belief in diffuse reciprocity (Ruggie, 1993:11-14).

While there is no doubt that the world is moving towards multi-polarity with emerging powers such as Brazil, China, India and Russia, flexing their economic muscles, it is still unclear what type of multi-polar system will emerge. Will it be multipolarity that is competitive, based on assertion of national power, or one that is cooperative, based on multilateralism. The Europeans with their multilateral construct – the European Union – are clearly in favour of a multilateral model of multi-polarity. However, China, by contrast, has a more realist view of international relations, and can easily switch between unilateral, bilateral and multilateral behaviour depending on its perception of which tool best promotes its self-interest (Grant and Barysch, 2008:1-5).

The EU as the world's most successful case of regional integration and multilateralism must continue to demonstrate to China the value of embracing institutionalism as a binding force in regional and world order. How so? By acting in a supporting role as an external federator towards Asian integration as was the case with what the US did for European integration, and by strictly adhering to multilateralism itself and working with China through practical cooperation on common challenges through international organizations and rules.

EU-US Relations

Transatlantic relations have not been in the best shape since Bush became president of the United States. EU with its embrace of multilateralism and lack of strategic presence and security responsibilities in Asia for many decades have influenced the way they perceive emerging powers in Asia. Hence EU does not necessarily share the same strategic instincts and perceptions about the rise of China as the US. This however may be changing as EU faces tough economic competition from China and the escalating EU-China trade deficit. So to many Europeans, the view of China as a benign partner is changing, and increasingly, there may be some who see China as a potential threat for Europe's economic security. What would this mean for EU-US relations, particularly in their approaches and policies towards Asia with China in the back of their minds? It is still too early to speculate, but one could see more coordinated efforts between EU and US for better management of the consequences of China's rise (Dassu and Menotti, 2005).

Another question concerning EU-US relations with regards to Asia is how much the EU would continue to be content to focus on soft issues and pursue a soft policy as a complement to the "hard policy" of the US. It implies that the EU eschewing power

politics but loyal to its primary alliance, does not undercut the prevailing security architecture in Asia, but only acts at its margin (Godement, 2008:43-44). For Asia and China, the EU will not be taken seriously if the EU is content to work on the fringe and does not have its own independent strategic policy towards Asia.

Conclusion

In concluding, whether the EU could play a role in shaping Asia's future will depend on whether the EU can strengthen its own integration so that it can think strategically and act strategically. The EU needs to shape a common foreign and security policy to avoid divergent views among member states, which if allowed to dominate the agenda, makes the EU a less interesting and less attractive partner for Asia and even its own traditional ally, the US.

The current global financial crisis also provided an opportunity for Asia and Europe to look into a new partnership that would help reshape the global financial system and stabilize the global economy to prevent it from going into deep depression. It is now incumbent upon Asia and Europe to take on more global responsibility in international affairs to shape their own collective future or have their fate being determined by forces beyond their control.

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