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The Development of Europe's Linkages with East Asia:

Hybrid Trans-Regionalism?

by

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Abstract

This chapter argues that the EU-Asia trans-regional relationship is still very hard to measure but that there is developing both a notion of economic Asia, a desire to collectivise responses in the face of differentiated resource allocation and a growing dominance of the form of regionalism demonstrated by the EU.

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Introduction

This chapter examines the most recent of the EU's forays into trans-regional encounters; namely, its engagement with East Asia through the Asia-Europe Meeting (ASEM).

Established formally in 1996, this loosely institutionalized forum in many ways provides a vehicle for European approaches to the disparate states of East Asia. Although the ASEM process was initiated by Southeast Asian states, EU and EU member state representatives have utilized this forum as a means of coordinating and supplementing pre-existing bilateral attempts to improve trade relations with the economies of the region and to address specific concerns of trans-regional interest on political and other issues.

In these ways, the forum offers a form of hybrid trans-regionalism to offset increasingly complex bilateral relationships, and embraces a broad but often diluted scope of activities. ASEM is by its very nature and origins broad in issue scope and a meeting of the geographically dispersed. There is no notion of neighbourhood among its members. It also straddles the boundaries between a post-colonial donor-recipient relationship and a putative attempt to embrace a partnership of 'equals.' Related to this, the gradual transformation from an EU-ASEAN (Association for Southeast Asian Nations) arrangement to the new and broader concept of an ASEAN Plus Three (APT) region is played out within the ASEM process. Part of this shift derives from the learning process

encountered by the Asian grouping within fora such as ASEM itself and for this reason the ‘counterpart coherence’ is slowly developing new forms. EU approaches to this East Asian grouping have been reformulated since the mid-1990s and now encompass trans-regional and bilateral linkages within the portmanteau of Asia-Europe relations.

ASEM functions, despite its three pillar structure of economic dialogue, political dialogue and cultural agenda, primarily to further trade and investment negotiations. As the nature of the EU itself changes, however, the future profile of the European project hinges upon the close interconnections between economic issues and the Common Foreign and Security Policy (CFSP) mechanisms that increasingly affect or are affected by them. As noted earlier in this book, trade strategies themselves frequently reflect the ongoing process of creating a common European identity among the people of its constituent nations and a belief in the utility of regions as a unit for organizing the global economy. In the context of ASEM, this process is demonstrated further by the apparently trilateral interests prevalent among the economies of North America, East Asia and Europe. ASEM serves to correct the ‘weak side of the triangle’ and to enable the EU to consolidate its regional trade strategies. As will be shown in this chapter, the status of this embryonic relationship remains weak, on account of its lack of formal institutionalization, broad agenda and waning interest of many of its constituent actors.

Section one of this chapter provides an introductory background to ASEM. Section two examines the principal driving forces behind the EU’s initial interest in, and subsequent motivations for, engaging in trans-regional relations with East Asia. It is divided into

structural factors and actor responses. Section three considers the hypotheses regarding EU preferences put forward in Chapter One of this book and examines the nature and scope of this new mechanism for Asia-Europe engagement. Section four shows the impact of the ASEM process on counterpart coherence among the participating states of East Asia. The concluding section examines how this trans-regional interaction has itself contributed to the further development of trans-regional networks, and returns to the four hypotheses proposed in the Introduction. In sum, this chapter argues that the EU-Asia trans-regional relationship is still very hard to measure but that there is developing both a notion of economic Asia, a desire to collectivise responses in the face of differentiated resource allocation and a growing dominance of the form of regionalism demonstrated by the EU.

Origins of the Asia-Europe Meeting

Originally proposed by Singaporean Prime Minister Goh Chok Tong, the formal inauguration of ASEM took place in Bangkok in March 1996, with the holding of a summit meeting of 25 heads of state or government from East Asia and Europe (Camroux and Lechervy 1996; Gilson 2002; Serradell 1996). On the Asian side were representatives from seven countries of the Association of Southeast Asian Nations (ASEAN) alongside China, Japan and South Korea.¹ The European side comprised all 15 EU member states, along with the president of the European Commission. The first summit was welcomed as a ‘whole new game’ by *The Economist* and praised for bringing together previously distant interlocutors. However, it was simultaneously dismissed as a gathering of the ‘politically wobbly, disunited and paralyzed’ and the

substance of the initial encounter was found to be rather exiguous (*Daily Yomiuri* 29 February 1996). The second summit, it was expected by the optimistic observer, would elaborate its substantive goals. In fact, ASEM 2, held in London in April 1998, was overshadowed by the effects of the Asian financial crisis that had begun in June 1997 and as a result the agenda focused predominantly on this issue. It was, then, left to ASEM 3 to chart the future determinants of Asia-Europe engagements, but it, too, was somewhat overtaken by events. In June 2000, four months before ASEM 3 took place in Seoul, an historic meeting was held between the leaders of North and South Korea. Not only did this provide an obvious point of departure for discussions at ASEM 3, but just prior to the summit South Korean President Kim Dae Jung was also awarded the Nobel peace prize. Although the Seoul Declaration for Peace on the Korean Peninsula was adopted as an adjunct to the Chair's Statement, the Korea question dominated proceedings, particularly in the eyes of the media. Nevertheless, this summit, which was attended by more than 3000 people, reiterated in its final statement a joint Asia-Europe commitment to close the mutual (sic) gaps in knowledge and understanding within the three established ASEM pillars of economic, political and cultural dialogue. Summit number four, held in Copenhagen in September 2002, also drew breath from recent events, by taking as its starting point the events of 11 September 2001 and investigating prospects for 'New Security Issues', as well as including a discussion over the August 2002 Johannesburg summit on the environment. However, this summit, too, failed to set a comprehensive agenda for a future ASEM structure and illustrated a number of the weaknesses inherent in the aspirations of this project.

ASEM has been dominated to date by economic agenda. Copenhagen's discussions over the need to strengthen mutual support for the Doha Development Agenda (agreed at the fourth WTO ministerial meeting in Qatar in November 2001) and the issue of the significance of the euro are typical areas of interest and concern. A representative speech by EU commissioner for trade, Pascal Lamy, in Brussels on 15 February 2002 illustrates this point:

We face a roller coaster of a ride for the next three short years, but we have to make a top priority of the DDA [Doha Development Agenda], and we will. And we want Asia as a key partner in this endeavour. I want to continue the close co-operation with my Asian colleagues - and not just on those issues where our interests coincide, such as market access or geographical indications in the TRIPs agreement, but also in areas where our perceptions still differ...²

In the same speech he notes the importance of 'the further enhancement of our two-way trade and investment relations, and the development of a global partnership with our Asian partners.' Based on the European concept paper outlining aims for ASEM 4 ('Unity in Diversity'), it is clear that the EU continues to push for 'deliverables' from summit meetings, including the pursuit of a new WTO trade round, discussion over the euro and the enhancement of the two flagship projects of the Trade Facilitation Action Plan (TFAP) and the Investment Promotion Action Plan (IPAP).³

TFAP and IPAP

TFAP was agreed upon at a Senior Officials' Meeting on Trade and Investment (SOMTI) in 1996 and endorsed by the Economic Ministers' Meeting, before being adopted at ASEM 2. It aims to reduce non-tariff barriers (NTBs) relating to a number of fields, including customs, standards and certification and the mobility of business people, although it is not a forum for negotiation. TFAP is also expressly designed to complement negotiations elsewhere, especially within the WTO and World Customs' Organisation (WCO). IPAP, proposed at ASEM 1, was also adopted at the second summit and was set up to generate greater investment flows between the two regions (Lee 1998). It contains two pillars: one for investment promotion and one for regulation, both of which are coordinated by an Investment Experts Group (IEG), endorsed at ASEM 2. The IEG has held a number of meetings to explore avenues for best practice in areas such as barriers to investment, attracting foreign direct investment (FDI), transparency, non-discrimination, investment incentives (tax/regime breaks) and investors' behavior, and also established a Virtual Information Exchange (VIE) on the Internet, created by the European Commission (subsequently renamed as ASEM Invest Online).⁴ As will be suggested below, IPAP has not been successful in both of its principal remits.

Information technology (IT) initiatives have also been pursued, by bringing together the existing EU's Trans-European Network (TEN)-155 and Korea's KOREN (high-speed research network in Korea), in order to begin to create a Trans-Eurasia Information Network Project, designed to increase cooperation, diversify research exchange and

make speedier telecommunication connections, in recognition of the key role played by IT in the expansion of trade potential. Like many other ASEM endeavors, this initiative resembles an APEC precedent, in this case the Asia Pacific Information Infrastructure (APII), which was proposed at the APEC Economic Leaders' meeting in Bogor in 1994.

Business Interests

In addition to these large projects, ASEM has made small and medium-sized enterprises (SMEs) the target of many of its objectives. These are especially important in driving technological cooperation and development. SMEs in Asia, most of which are export-oriented, constitute over 90 per cent of all enterprises and cover 30-85 per cent of employment in individual economies. Similarly, according to the European Commission, in 1996 SMEs represented 99.8% of all EU companies, 66 per cent of employment and 65 per cent of business turnover (Peña 1997, pp. 8-10). ASEM also encourages private-sector activities, such as the Asia-Europe Business Forum (AEBF), designed to promote business partnerships through dialogue and exchanges. Working groups were established by AEBF IV, to deal specifically with particular sectors, including trade, investment and financial services. In both regions, increased competition as a result of globalizing processes threatens the sustainability of SMEs and this sector has thus become an important target of region-to-region negotiations. While these initiatives propose channels for the resolution and improvement of sectoral concerns, the loose framework of ASEM makes it difficult (if not impossible) to ensure accountability and to threaten sanctions for non-participation. Furthermore, as will be

shown below, the nature of the regime and the scope of the actors make it difficult to sustain interest in these types of activities.

The ASEM process has also failed to eradicate a number of areas of protectionism, such as within the agricultural sector of the EU. Indeed, where EU protection has begun to lessen, it is largely due to the effects of European intra-regional changes in trade policy and technical barriers, through the reduction of voluntary export restraints (VERs) and commitments made as part of the Uruguay Round. Meanwhile, European anti-dumping measures continue to be aimed at the countries of Southeast and East Asia as a useful means, according to some observers, of counteracting threats from Asian competition (Palmujoki 1997, pp. 284). The 'strict and less-than-transparent application' of this form of protectionism has also been complemented by a range of obscure safeguard measures. At the same time, Europeans, particularly through the European Parliament, continue to emphasize the need to address the social issues damaging trans-regional trade. In Asia, too, a variety of 'hidden barriers' continue to stymie European attempts to promote trade and investment (Lawrence 1995,p. 414).

Political Dialogue

Throughout all four summits and among the plethora of lower level meetings held under its umbrella structure, ASEM's less developed political dialogue has continued to embrace security and 'soft' issues, such as the international fight against the trafficking of people and drugs, pollution and other environmental problems. Although this pillar is located within the realm of ministerial and bureaucratic interests, it also involves non-

governmental organizations (NGOs), which hold their own ‘people’s forum’ on the fringes of the summit meetings. Alongside these concerns, a socio-cultural pillar has also been put into place, culminating in Copenhagen’s ‘retreat’ to examine ‘Cultures and Civilizations.’ While this initiative may be interpreted as a means further to address mutual incomprehensibility, it could also be viewed as a refuge for seeking grounds for unanimously agreeable discussion. Its laudable aims and numerous activities notwithstanding, ASEM continues to suffer from an absence of clearly defined goals and lacks an externally visible (and credible) presence. This remains the case in spite of attempts by the *de facto* ASEM track two process, the Council for Asia-Europe Cooperation (CAEC), to articulate a ‘rationale’ for the meeting (CAEC 1997), and despite a report by a wise-men ‘Vision Group’ to propose concrete means for pushing forward the ASEM agenda. Nevertheless, these pillars, especially that of political dialogue, have offered important conduits for airing issues related to trade and investment, and European partners have also acknowledged their value. Before considering this and other issues, it is worth assessing the initial value of the ASEM process as a whole for the EU.

Driving Forces for EU Participation

There is no straightforward account of ASEM’s origins: explanations based uniquely on notions of hegemonic pressure, a perceived need for cooperation, historical or cultural convergence, or the accumulation of well developed public or private networks do not adequately represent the timing, key actors and structural framework of its foundations. Rather, a somewhat confused combination of factors served to stimulate its

establishment as well as to prepare the ground for the key initiatives to be adopted in its name. It is also worth noting that ASEM was not the first opportunity for the EU to engage formally with its East Asian partners.

Structural Factors

Most broadly, factors for the establishment of ASEM can be distinguished as *structural* and *actor* stimuli, which encapsulate the various impacts of a changing global environment in the 1990s, growing intra-regional debates and specific national and regional interests. The two most identifiable structural factors for initial European interest in ASEM pertain to a changing geopolitical global environment and the rise of ‘Asia’ on a global scale during the 1980s and 1990s. First, ASEM was a product of the immediate post-cold war period, which witnessed not only the disintegration of geo-strategic and psychological barriers between regional units, but also saw the burgeoning effects of a rapid globalization of networks of production, finance, investment and commerce alongside the expansion of global market forces. Within both Europe and Asia, the perceived changing global role of the US was also an important factor.

Together, these factors rendered imperative a collective rethink of the role of the state and the recognition of other potentially significant actors (Higgott 1998a, p. 345). To begin with, the ending of the cold war affected a number of key relationships, including those outlined above: while the EU drove forward its program of closer economic cooperation, many of its representatives also proposed the development of closer intra-regional linkages in the political and military fields. Against this background, it became both more common and more palatable for the EU as a region to cooperate within formal

or informal regional unions, in order to secure economies of scale and greater political leverage within a changing economically disparate and politically uneven global environment. Moreover, as the various processes of globalization continued, calls for a more manageable sub-global framework were also iterated and the suggestion was voiced that region- and issue-specific fora (for example on investment) could offer a less unwieldy forum for debate (*Financial Times* 3 March 1996). This structural change pushed EU representatives to contemplate an increase in the number of its cooperative associations at a range of levels, which included closer scrutiny of the use of trans-regional dialogue. The absence of a pre-existent regional interlocutor (as in East Asia) would be no obstacle: Asia could behave as a region for the purpose of trans-regional cooperation and in any case ASEAN (as the APT would later testify) lay at its heart. Later disillusionment with the WTO process, particularly with the failure to reach agreement in Seattle, further reinforced among many practitioners the need to diversify levels of engagement.

ASEM can serve as a mini-lateral forum in which to develop common understandings and possibly ‘embryonic...accords’ prior to participation in larger fora, while also acting as a channel for reinforcing the rules of the global regime (Dent 1999b, p. 389). It was no coincidence that economic ministers from ASEM discussed in their first meetings how to solidify mutual support prior to the WTO ministerial meeting in December 1996 (Bull-EU 12-1995, p.43, I.79-Annex 14 Council report on ASEM preparations). Moreover, in this way, regional agreements can serve to codify rules or practices and ‘constrain national discretionary power’ (Woolcock 1996, p. 125). What is more, the

WTO also shapes the economic agenda of the newer forum, to the extent that much of the language and substance is drawn from the larger framework, and WTO-consistency underpins ASEM agreements (Aggarwal 1998, pp. 5-6). In addition, larger fora such as the WTO also balance and mediate (potential) differences in Asian and European economic traditions and interests, by providing external pressure to resolve potential region-to-region conflicts. The EU has seen ASEM as an additional means of soliciting Asian support for a new round of trade talks, and utilized negotiations over WTO entry to anchor China to domestic adjustments conducive to all ASEM member states.

Discussions over China's GATT/WTO membership have been a central issue since 1987, one year after China's formal application to join. EU businesses still face market barriers in China, but multilaterally the EU, having lifted in 1998 the label of China as a non-market economy, actively supported China's admission to the WTO, most vocally in the person of EU Commissioner Leon Brittan. For the European Commission, China's accession to the WTO was predicted to enhance the transparency and predictability of dealing with Beijing, as well as reduce levels of tariffs and non-tariff barriers (NTBs) incurred by doing business with China. The EU signed an agreement on China's entry to the WTO in Beijing in May 2000 (following the US-China agreement of November 1999), in which it included demands for about 50 per cent of foreign ownership in joint ventures of telecommunication services, compared with the 49 per cent negotiated by the US with China; as well as greater market access for the telecommunications and insurance industries (*Financial Times* 17 May 2000 and 15 May 2000). In addition, the EU designed a number of cooperation projects with a budget totaling around €24

million. Their package deal also included the pledge that both sides would remove their respective quotas by 2005. Highlights of EU-China WTO negotiations included the acceleration of a timetable for market opening in mobile telecommunications, the opening of China's leasing market within three years (to allow foreign firms to rent and resell from Chinese operators), and a number of concessions in the field of insurance, import/export restrictions and tariffs. This need to 'engage' Beijing was important both to the Europeans and the Asian group itself (Bull-EU 6-1996, p. 16; 5-2001, 1.6.89, p.82). The EU on the whole has welcomed the pace of China's implementation of its commitments since its accession to the organization.

In specific sectors such as e-commerce, ASEM has drawn heavily from the ongoing initiatives in different bodies of the WTO. These global and trilateral rationales have appealed in different ways to the constituencies of each region. These utilize the principle of diffuse reciprocity facilitated by a broad-based regime structure. Thus, subjects similar to those aired within the WTO process (such as SPS and technical barriers to trade) are important items on ASEM's own agenda. Other WTO issues, like public procurement and investment, can be addressed in a less threatening environment within ASEM. In fact, to date the most important link of ASEM with the WTO has been in terms of pushing forward a new trade round. With this in mind, consultations for the September 2003 meeting in Cancun are the most pressing agenda item for the coming economic ministers' meetings.

The second identifiable structural factor for initial European interest in ASEM was the economic rise of East Asia itself. By the 1990s the ‘Asian miracle,’ combined with historical linkages, set in the European consciousness an idea of ‘Asian’ growth, which began to impact trade with Europe. According to UNCTAD figures, in 1995 Asia accounted for 23.2 per cent of the European Union (EU’s) external trade, compared with 17.4 per cent the previous year, having been part of a growing Asia-Europe trade pattern that outstripped the EU’s trade with Eastern Europe between 1988 and 1994. Indeed, ‘Asia’ became an increasingly attractive market for European trade and investment during the 1980s and 1990s (despite the financial troubles of 1997), representing a rapidly expanding and dynamic arena for mergers and acquisition (M&As), joint ventures and investment, and a place where the rise in per capita gross domestic product (GDP) and disposable income offered, and continues to offer, new opportunities for European manufacturers. Asia as a whole is the EU’s second-largest regional trading partner, with total EU exports to the region in 2000 of some €197.4 billion, and total imports of €318.9 billion. Asia thus accounted for 21.1% of the EU’s total exports and 26.4% of its total external trade in that year.⁵ Total EU trade with Asia grew annually by 10.5% between 1995 and 2000 (slowing partially due to the financial crisis). EU imports from Asia continue to exceed exports and 2000 witnessed a €121.5 billion trade deficit. A key factor in re-engaging European interest in ASEAN was the decision in 1992 to establish an ASEAN Free Trade Area (AFTA) by 2003 (with extensions for Vietnam, Myanmar and Laos). This project aims, principally through its Common Effective Preferential Tariff (CEPT), to liberalize intra-regional trade and reduce intra-regional tariffs, as well as to eliminate non-tariff barriers (NTBs) and establish cooperation in

customs procedures. Even though some observers question the certainty of AFTA's future (Stubbs 2000, p.312), growing economies of scale in this fourth largest trading area of 400 million people, make it a potentially attractive target for trade and investment. These changes have been accompanied by a concerted Asian attempt to attract inward investment and European technological know-how, supported by a wave of liberalization of outward FDI flows.

Insert table 1 here

The EU is also an important investment partner for Asia, with total EU FDI flows to Asia in 1999 amounting to €18.8 billion.⁶ Among the EU's major investment Asian destinations in 1999 were Japan (€8.9 billion), Hong Kong (€4.5 billion), Thailand (€2 billion), South Korea (€1.6 billion) and China (€1.1 billion). Although the financial crisis temporarily reduced EU investment in Southeast Asia, total EU FDI flows to Asia nevertheless doubled between 1995 and 1999. For Lamy, 'EU investment in Asia and indeed intra-Asian investment clearly is below potential. Some of this of course reflects the Asian crisis, but it will only bounce back to full potential if investors find a clear, transparent, non-discriminatory and predictable investment regime in the host country.'⁷ Nevertheless, FDI has been unevenly distributed by Europeans in Asia: for example, while the EU's share of FDI in South Korea has grown, the figure in China has declined. In terms of investment into the EU, at present only Japan and South Korea are major contributors from Asia.

The Asian market offered trade and investment in a range of different goods, not least opportunities created by a burgeoning arms race, while more favorable deregulatory and liberalization trends in many parts of Asia fed this interest. In recognition of the greater importance of Asia, the European Commission had launched a policy paper in 1995 to address a *New Strategy Towards Asia*. This paper stressed the need to open markets, and to enhance economic and security stability in the region to ensure that investors and traders would become and remain interested (Mahncke 1997, p. 300). It also proposed concrete initiatives, such as the Asia-Invest program, to promote two-way trade and investment flows and an annual Asia-Invest Conference. The paper dealt with all fields of dialogue and in terms of security, too, noted that the EU ‘should seek to make a positive contribution to regional security dialogues’ (COM (96) 4, 2). As tables 2 and 3 illustrate, moreover, the increasing trend towards viewing East Asia as the third side of a global economic triad put Asian interests more firmly into the international realm.

Insert tables 2 and 3 here

Notwithstanding phenomenal economic success within Asia, however, the region has consistently failed to become a priority area for the EU and the trade policies of its member states. At the same time, European businesses on the whole have been slow to seize opportunities in Asia, and have focused for the most part on new enterprises in Central and Eastern Europe. Reasons for this neglect include: continuing problems with Asian tariff and non-tariff barriers (NTBs); the lack of transparency, harmonized laws, protection and enforcement, intellectual property rights (IPR) provisions and control

over business enterprise in general (Lee, C. 1998, p. 21); the lack of familiarity with Asian business practices and distribution systems; and structural differences in economic organization. What is more, since European investors and traders realized Asian potential much later than did those from Japan and the US, their trans-national corporations cannot compete easily within Asia with those firms already established. While Japan enjoys a competitive advantage due to its geographical placement and intra-Asian networking, US firms also have a longer tradition of links with Asia and better access to information about Asian markets, particularly through JETRO and the US Department of Commerce. The EU *per se* has no investment promotion agency, but since the 1980s has operated a number of promotional instruments in order partially to rectify these imbalances. Moreover, the requested entry of China into the GATT/ WTO and the potential for consolidating economic and political relations with its various Asian partners also provided incentives for the promotion of a collective European approach to East Asia.

Concern over Asia continued into the second half of the 1990s, notwithstanding the dampening effects of the financial crisis. For example, from an EU trade deficit with Asia of 13.3 billion euro in 1996, the EU faced a figure of 121.5 billion in 2000. The EU Madrid summit noted that: 'The EU will be anxious to hear from Asian countries of progress in their own efforts to open their markets. The Summit will also make the EU and its Member States better placed to encourage European companies to pay closer attention to investment prospects in Asia' (Bull-EU 1/2-1996 p.111). The EU's Economic and Social Committee (ECOSOC), taking a position on relations with

ASEAN, also insisted on the need to ‘emphasize quality rather than the size of the European presence’ (Bull-EU 1/2 1996, p.111). At the same time, the promotion of the euro within East Asia provided an additional incentive for European interest in this potentially huge pool of currency trading and reserves. From an Asian perspective the role of the euro as a potential model (or even anti-model) for East Asian economic integration combined with a heavy Asian dependency on external trade to offer signs of welcome for European interest (Lee 1999, p. 63). However, the effects of the Asian crisis ‘dwarfed the forces which the euro [was] expected to create’ (Lee 1999, p. 72).

In addition to attracting Asian interest in Europe in general, the EU also began to target key sectors, in which to develop links with East Asia. These included in particular the environment, energy, telecommunications and vocational training. At the same time, it was clear that tangible benefits from Asia could be gained for Europe through increased cooperation: ‘Member States of the EU are particularly interested in sharing the expertise and know-how of Asian countries in the rapid transformation of technological breakthrough into industrial production processes’ (Bull-EU 12-1995, p.45, I.79-Annex 14 Council report on ASEM preparations). These specific areas of concern were to form an important basis for ongoing discussions within the ASEM process.

Actor Responses

One of the major incentives for initial involvement in ASEM was the opportunity for the EU to extend its global profile in an era in which it was contemplating deepening (particularly through the launch of the euro and further development of the CFSP) and

widening (negotiations for expansion to the states of Central and Eastern Europe). In addition, the EU had come to behave as an international actor on a number of levels, and gained a degree of structural power over 'new' trade agenda concerning Asia in the 1990s, largely through developments within its own internal structure and the changing nature of conditions within Asia (Dent 1999b, p. 388). Its apparent desire to expand its international position (see, for example, moves towards developing a European arm of NATO) and attempts to counterbalance the role of the US would also offer plausible accounts of the distribution of power within the trans-regional arrangement. As a result, while the US retains a high-level of structural power (the ability to shape and determine systemic structures within which other actors must operate), the fight for relational power (leverage over another) may be seen to depend increasingly upon belonging to ever larger units of actors (Strange 1994). Despite the fact that the US does not participate in ASEM and is not a subject for discussion, the trilateral framework in which ASEM is so often represented (on official and academic levels) reinforces the fact that the US as 'third pole' or balancer remains a key underlying presence in terms of both structural and relational power. It may be regarded as a driving force for action, to the extent that EU rejection of observer status in the APEC process also made ASEM a desirable means of linking the two most distant poles of that triangle. In this way, ASEM is seen to behave as a global-supporting mechanism, which depends for its own existence upon the overarching conditions set by the United States and upon a static reading of the nature of the three supposed poles of the triangle (Gilson 2001; cf., *inter alia*, Dent 1999a and 1999b; Lee Dong-hwi 1998, p.119; Maull et al 1998; Tanaka 1999). In fact, ASEM cannot simply be read as a means of either fulfilling trilateral aims

(Bobrow 1998) or posing a direct threat/challenge to the superior power of the US (Ullman 1976, p.3). Rather, a focus on post-cold war determinants imposed by the actions of a lone superpower obscures the impact of the tenets of a new political economy, which gives salience at different moments to a range of actors and alliances. What is clear, is that if APEC is frequently regarded as a vehicle for Washington (Nesadurai 1996), hegemonic stability theorists are unlikely to find similar power structures in ASEM, although, like APEC, it might represent the ongoing development of hegemonic multilateralism, in which a hegemonic state underwrites cooperative behavior. In many ways, the trilateral discourse emanates from a concern to delineate the effects of globalization upon Asia-Europe relations.

The key EU actors involved in ASEM have been the (rotating) Council Presidency, the European Commission and the European Parliament (EP), with additional participation by ECOSOC. A number of papers have been produced by the European Commission, examining cooperation in specific sectors such as energy. For example, the 1996 Europe-Asia Cooperation Strategy for Energy (Bull 7/8 1996, 1.3.140, p. 58) followed a European Commission White paper on energy policy for the European Union (COM(95) 682). It aimed to increase the security of energy supply in Asia and Europe, to gain entry for EU firms into Asian markets and to take measures to protect the global environment. Another important area is that of the environment, about which the European Commission produced a Communication in the wake of the 1994 European Council at Essen (Bull 10-1997 1.2. 185, p. 53). It was noted in this Communication that Europe is a 'world leader in environmental technologies and services [and] is well equipped to

work with Asia to address its problems in this field, particularly on the urban environment and pollution reduction and prevention'. This sector provides an additional incentive for European economic involvement, by facilitating market-based approaches to environmental concerns and promoting joint research.

The most comprehensive Commission statements on East Asia were presented in the 1994 'Towards a New Asia Strategy' document and its revised version in 2001 (COM (94) 427; COM (2001) 469 final). The New Asia Strategy was proffered as the basis of European approaches to the ASEM proposal (Dent 1999b, p. 394). Although intended as a way of negotiating economic relations with key actors in East Asia, it was also designed as a means of establishing a broader set of relations and was linked closely with the further development of the CFSP (Gilson 2002). The issues outlined in this strategy paper – such as sustainable development, environmental protection, economic stability and joint research – are the bases upon which the agenda for ASEM would subsequently be formed. The strategy also sought to enhance and promote the EU's inclusion of the 1991 resolution to insert a human rights clause into the text of economic cooperation agreements with third parties, against which ASEAN had voiced its collective concern. While EU agreements with Vietnam (in 1995) and Laos and Cambodia (in 1997) did indeed include human rights clauses, disputes over Myanmar raged on. As a result of its poor human rights record, the EU refused to deal with Myanmar or to invite its representatives to attend EU-ASEAN meetings. Tensions increased when Myanmar gained observer status to ASEAN in July 1996, and full membership in July 1997. This delicate issue was effectively bypassed by the

establishment of ASEM, which does not – for this very reason – have the latest three ASEAN member states as members. If this situation continues, it could result in a mutual blockage of new members altogether, with negative consequences for the ASEM process as a whole.

The strategy document was also used to delineate the very existence of ‘Asia’, into East, Southeast and South Asian sub-regions (McMahon 1998, p. 233). By contrast, the 2001 updated version set to establish a clear set of partnerships with the different economic and political units of Asia, with the aim of raising the EU’s political profile ‘to a level commensurate with the growing global weight of an enlarged EU’ (COM (2001) 469 final). Following many of the same goals of the original strategy, the 2001 paper stressed the need to set ASEM activities within the broader international fora in which it is located.

The Council has taken a number of actions vis-à-vis Asia, and its representatives take part in all levels of ASEM engagement, while the European Parliament (EP) has been active particularly in the area of social welfare, human rights and civil society participation. The question of human rights has exercised the EP, especially with regard to concerns over Myanmar (Bull-EU 1/2 1997, 1.3.115, p. 95), where it has promoted linkages also between human rights and sustainable trade (Bull-EU 3-1998, 1.3.113, p. 92). In its response to the European Commission document on ASEM in 2000, the EP emphasized the need to increase dialogue over conflict prevention on the Korean Peninsula and between China and Taiwan, as well as to establish a ‘wider social

dialogue' among sub-state actors. For this reason, it has also advocated the inclusion of the Asia-Europe People's Forum (AEPF) within the main forum of ASEM (COM(2000)241; Bull-EU 6-2001, p.100, 1.6.78). Although beyond the scope of this chapter, it should be noted that the AEPF represents an increasingly significant channel attached (albeit unofficially) to the ASEM process. ECOSOC has also produced a number of opinions on EU activities towards Asia, and has in particular been a champion of private sector involvement (Bull-EU 1/2 1997, 1.3.115, p. 95).

Also fundamental to the origins of ASEM was the role of the business sector, as represented in particular through the Asia-Europe Business Forum (AEBF), which, unlike the AEPF, was integrated fully into the ASEM formal structure in the context of the SOMTI. It is true to note, however, that while a number of seminars have been held, business participation in ASEM is currently waning. In part this is reflection of a downturn of economies within Asia, slower growth in Europe and the imminent opportunities presented by EU enlargement. It is unclear as to what role the business sector will play in the future of ASEM.

The ASEM process, then, offered for the EU the discussion of political dialogue, the deepening of economic relations and the reinforcement of cooperation in other areas. However, the EU wanted from its initial involvement something it did not get: a final statement reflecting 'substantive agreements reached in ASEM' (Bull-EU 12-1995, p.43, I.79-Annex 14 Council report on ASEM preparations). What was eventually produced

was, rather, a ‘pragmatic approach, based on an individually tailored analysis of its relations with each country or group of countries’ (Bull-EU 9-2001, pp.78-9, 1.6.51).

Charaterizing ASEM Trans-regionalism

When applying the criteria outlined in the Introduction ASEM weighs in at the relatively weak end of the spectrum. Its participants, particularly on the Asian side, have eschewed suggestions to introduce a greater degree of formality into the ASEM structure. As a result, ASEM has little effect on action taken by its constituent member states, offering rather an opt-in, opt-out solution for specific areas of mutual interest.

Strength of ASEM

As has been shown above, ASEM remains a weak arrangement, based upon its open, consensus-led formulation. While it has offered a useful means of consolidating mini-lateral agreement prior to global fora, it is not a negotiating forum and retains no form of sanction. Its strength, therefore, lies more in its ability to bring together representatives from a range of fields from two large continents. At the same time, the ‘vision’ of ASEM, from the summit statements, to the CAEC process and the Vision Group report itself, has promoted a broad scope for ASEM but by so doing has failed to determine tangible and realizable goals possible within the structure of ASEM.

Institutionalization

One reason for the apparent weakness of ASEM rests on the measurement of institutionalization, the second criterion, by which it inevitably compares unfavorably

with its counterparts. To date, ASEM, unlike APEC, does not have a secretariat, despite calls for one by the Vision Group and the request for at least a virtual secretariat to deal with the dissemination of ASEM-related affairs. To date, in fact, the European Commission has been the only consistent coordinator and therefore functions as a *de facto* informal secretariat. Moreover, the European Commission president attends the biannual summit meetings, but the High Representative of the CFSP is not present and there is little interaction between the High Representative and the European Commission on issues pertaining to ASEM.

However, while much has been discussed about the relative lack of institutionalization of ASEM, in many ways this poses a red herring to comprehending how it functions. In fact, ASEM may be called a ‘semi-institutionalized’ relationship, since it is bounded by regular and clearly demarcated heads of state and ministerial meetings as well as formal structures of the AEBF and ASEF.⁸ Even the AEPF, held on the margins of ASEM, has formalized its own arrangements by creating a committee to sustain momentum. While this informality is frequently said to rest on an ‘ASEAN way’ of conduct, the ‘learning’ developed through this means reinforces pre-existing institutional parameters and creates for the EU a means of channeling its vested interests (Ravenhill 1998). In the case of ASEM, it is arguable that this derivation of institutional credibility contributes in fact to the further strengthening of European agendas and procedures, which come to be presented as the ‘evolution’ of collective practice.

More important with regard to the structure of ASEM is the way in which the EU can utilize its framework as a means of negotiating with a disparate arrangement of partners, locked into an 'Asian' identity for the sole purposes of this arrangement. In so doing, ASEM provides a mechanism for institutionalizing not only a partnership, but also the partner *per se* (see below). In addition, as noted above, it is premised upon a number of pre-existing institutional mechanisms, such as the EU-ASEAN and EU-Japan dialogues. Despite its formal eschewing of institutional parameters, ASEM offers for each side of the partnership a nascent institutional formula for cooperation, regular channels of dialogues, means of reducing costs in both economic and security concerns, and an ideal venue for diffuse reciprocity. In this way, it provides an advantageous level for negotiation, in the face of stalled negotiations within broader, diluted fora such as the WTO and narrower, often conflict-ridden fora such as the EU-ASEAN dialogue. In Asia since the financial crisis in particular, that viewpoint has been reinforced, as Asian representatives have perceived in the extant ruling bodies (the WTO, IMF and the US itself) a lack of a credible future-oriented alternative (Higgott 1998b).

Despite eschewing institutional formalities and the utility of its overarching institutional facilities, in practice ASEM suffers from institutional overload. Not only is it becoming increasingly difficult to muster presidential and prime ministerial enthusiasm to attend summit meetings every two years, but senior official meetings are frequently not peopled by representatives carrying adequate seniority, and are, instead, attended by heads of unit or directors. In addition, a number of working groups (for example, on public procurement and the mobility of business people) have now been phased out, due

to lack of interest. The mandate for the IEG also expires in 2003 and it has yet to be decided whether and how it is to be replaced. Given the lack of secretariat, official preparatory meetings are also burdened by the organization of ministerial meetings and do not provide an opportunity for substantive discussion that could feed into the debating process.

The Nature of ASEM

The nature of the regime itself hinges on what ASEM practitioners themselves have labelled as ‘open and evolutionary’, by which they intend inclusion and informality in their way of conducting business. This renders it a non-binding and non-institutionalized set of dialogues, which has the benefit of allowing free and, ironically, closed door dialogue across whichever issues participants wish to discuss, without binding them to a particular outcome. Open regionalism, or, more appropriately, ‘open continentalism’ (Pelkmans and Fukasaku 1995, p. 163) put forward by ASEM, underlines its pledged adherence to the principles of free trade and to the tenets of a number of multilateral regimes. This association had already become deeply entrenched within the EU, particularly its Commission, which, as Rosamond notes, had developed during the 1980s a discursive ‘space’ in which to justify market liberalization, regulation and deeper integration (1997, p. 14). The problem with this association to date, is that it has tended to set Asia-Europe relations on a course to economic Asia versus political Europe; with their respective leaders setting out how Asian and European approaches differ inherently, by embedding apparently dichotomous fundamental market and political values (Fareed 1994; *Far Eastern Economic Review* 10 December 1992). This

difference is further entrenched by the absence of formal institutional mechanisms, as noted above. The problem to date with this loose regime has been to prevent the comprehensive discussion and implementation of ‘deliverables’, or tangible evidence of cooperation.

Scope of Issues

The scope of issues covered by the ASEM structure is extremely broad on paper, but somewhat narrower in practice. On the one hand, while many of its structural premises and rhetorical aspirations emulate the mantras of existing regimes, particularly those of the WTO, the UN and APEC, it accommodates a uniquely broad scope and embraces explicitly two regions within an ostensibly equal partnership. In reality, however, the EU has regarded ASEM as a supplementary vehicle by which to pursue market opening and barrier reducing opportunities in East Asia. This multi-dimensional approach issued from a European desire in particular to establish a wide range of discussions with Asia, and follows from a growing overlap of political and economic interests in formal EU agreements. The apparently extended scope of relations may be interpreted, therefore, as a result of European (particularly by DG1 of the European Commission and its successors, DG Trade and DG External Relations) realization that it needs to work more closely with others (environment, social, competition, marine, transport, energy) in light of the ‘new economy’ (Dent 1999a, p. 35). In addition, the EU also uses ASEM as a means of gaining support for activities in international fora, such as its pursuit of common cause towards establishing a WTO Millennium Round. Much of the scope of issues is concerned with issue or sector-specific interests, as the multitude of ministerial

and senior official meetings on issues as diverse as immigration, tax and intellectual property rights attest (see for example, Bull-EU 4-2002, p.78, 1.6.69; Jung and Lehmann 1997, p. 57).

The adoption of TFAP and IPAP is similarly issue-centric and in fact in the case of IPAP is split in its remit between the two goals of investment promotion and investment regulation. Since different issues are raised by each aspect and therefore require the participation of quite different constituencies of people, it is no surprise that the IPAP has focused almost uniquely on investment regulation and has had little impact on national approaches to investment. Investment policy tends to involve bureaucrats, who prepare legislation on the registration of businesses, taxes and so on, while investment promotion is directly applicable to business interests with the result that the bureaucrats attending the AEM may not be the most appropriate participants. With regard to the Investment Expert Group, the Asian side tends to send investment promotion representatives hoping to attract investment to their countries, but Europeans tend to send regulators involved in discussing issues such as the legal framework and transparency of agreements. This situation simply results in a dialogue of the deaf. Linked to this point, in the field of trade and investment ASEM has not been used, as foreseen, as a vehicle for coordinating the range of bilateral exchanges.

Scope of Actors

The scope of actors involved in ASEM is also diverse on paper, but in practice tends to be limited to a number of lower-level officials. ASEM's agenda so far have been

dominated by economic concerns, which are negotiated by a combination of ministers (treasury, economic, finance, customs) as well as by the AEBF, which is in place to ensure close links with the private business community. On a number of occasions, ministers have substituted heads of state and ambassadors have replaced senior ministers, particularly from the European side. This suggests that actors across the EU regard ASEM mostly as the preserve of the bureaucrat. There are three levels at which ASEM is important for EU actors. The first level concerns the projection of a greater European 'voice' on a global scale, and is in the interest especially of the European Commission, but also of the Council, which uses the EU as a means of enhancing national (economic) presence in Asia and beyond. The second level concerns intra-EU debate and is an important feature of ASEM given its overlapping remits. For, while the European Commission is mandated to represent the interests of the Union on matters pertaining to the single market, CFSP matters are to be dealt with by the Council. In reality, ongoing debates about the nature of the European project within Europe align with institutional conflicts between the (Euro-level) European Commission and (intergovernmental) Council of Ministers in particular, to produce a multi-headed European position. In the case of ASEM, which is not limited to economic relations, for which the European Commission would hold a representative mandate, this situation is made more complicated by the scope and range of activities across its three pillars. In fact, this distinction is blurred in the case of ASEM, which might examine human rights and aid, or immigration and terrorism as part of distinct packages requiring the input of a range of actors and thereby strengthening the hands of the European Commission. The third

level is the extended role of non-state representatives, from business and NGO communities, who have taken their place clearly alongside (in the case of NGOs) or within (for business) the formal ASEM structure. This factor has precipitated a strengthening of the Parliament's role, in pushing for greater human rights, social welfare and citizen participation. With the admission of new member states – with relatively poor economies, which in some cases compete directly with their Southeast Asian counterparts, and with often fairly young democratic practices – pressure for the separation of such interests may intensify. This type of non-structural basis of power within the international political economy is coming to be highlighted by number of scholars, especially as the changes brought about by globalizing patterns of trade and production, the rise of non-state actors into key determining positions for national conditions, and new civil society movements reconfigure the nature and role of the state (see, for example, Higgott et al 1993, p. 5).

These wide-ranging actors have been fundamental to the type of process established within ASEM and, as a result, the process is more than simply a 'recondite hobby for the elite' (Nuttall in Maull et al 1998, p. 174), or an elite-driven (epistemic) community; for, while elites organize and attend the summits and function as part of the Vision Group and CAEC, ASEM also accommodates a range of actors not conventionally associated with similar institutions. The resulting set-up is a cobweb of disparate interests and actors, drawn together by the overarching label of 'ASEM' activity. So far, the key interpreters of the institution of ASEM (Sikkink 1991, pp. 249 and 251) have been those actors already equipped with skills to act in other such settings: principally the EU's

European Commission. However, there is clearly a residual duality on the EU side, between 'EU-level' actor capacity and the interests and behavior of EU member states. On the one hand, the growth of the EU as an actor, especially in the eyes of a collective 'Asia', which needs to see it as a coherent unit in order to justify its own closer cooperation, is supported by the tangible evidence of the euro and CFSP. On the other, a lack of coherent policy towards Asia (such as the *ad hoc* recognition of North Korea prior to ASEM 3) as well as a general lack of interest in Asia, mean that there is no real collective discussion regarding Asia and, as a result, the European Commission and individual Council member representatives tend to design and negotiate policies left to their charge.

Counterpart Coherence

The ASEM process provides an interesting case study in the construction of regional identity. Trans-regional arrangements are especially important in creating *de facto* assumptions about the very notion of region. Prior to the Bangkok summit, the so-called 'Asian Ten' (the then seven member states of ASEAN, alongside China, Japan and South Korea) had not met in a formal gathering on a regular basis. To some extent, then, the ten states constituted themselves as 'Asia' for the purpose of dealing as a region in an explicitly region-to-region arrangements of 'equal partners.' Indeed, as noted above, the EU now entertains in its statistics the category of 'Asian ASEM.' While it is difficult to measure the direct implications of this identification, growing interaction of intra-East Asian representatives is likely to have contributed to the development of the APT process, which now exists beyond the confines of ASEM. Other activities have also

been launched, such as the Initiative on ASEAN Integration (IAI) launched by the ASEAN Leaders during the Fourth ASEAN Informal Summit in Singapore in 2000. APT meetings are now used to promote better use of ASEM, such as through the 'Asia-Europe Partnership for Prosperity and Stability in the New Millennium'.⁹ For the Asian contingent, the apparent failure of the IMF and APEC in the wake of the financial crisis and the Seattle fiasco of the WTO have served to reinforce a need to find alternative collective solutions to regional issues.

In terms of economic exchange, there are a number of reasons for the East Asian grouping to respond collectively to Europe. Not only is EU enlargement a potential hindrance to Southeast Asian competition that requires joint pressure on the EU, but the growth of European FDI and trade with the region is also important for East Asia. In addition, many states within East Asia also wish to fend off competition with China and to deal collectively with the need for economic reform within Japan. While intra-regional trade remains central to the AFTA mechanism, the effects of the globalization of competition simultaneously exercise the need to function on a broader canvas. Ongoing discussions about the future of a wider East Asian economic community also influence this need. In terms of institutionalization, however, in spite of the presence of ASEAN, there remain only loose agreements within the region to cooperate on a regular basis. In this regard, ASEAN lobbied hard for ASEM, as a means of asserting its own central role in a new forum, in order to re-affirm its own regional relevance. However, there remains considerable economic disparity among the states of ASEM, with the practical effect that several Asian states cannot afford to fund adequately the proposals

they might otherwise champion within ASEM, thereby further embedding in fact the inequality of the two regions.

Asian responses to apparent European neglect during the Asian crisis ranged from collective criticism to a recognition of the need to find regional solutions to regional crises. Although IMF conditionality was also targeted, in many ways the EU became both model and counter-model for the articulation of collective Asian interests. On the one hand, proposals for some kind of Asian 'euro' became popular: for example, Joseph Estrada of the Philippines at Manila in July 1998, and Joseph Yam, the Chief Executive of Hong Kong's Monetary Authority in 1999, both declared themselves in favor of some kind of Asian currency unit, in order to establish region-level initiatives to 'help maximize the benefits of globalization while minimizing the disruptive effects of global financial markets' (*Financial Times* 13/14 January 2001; see also 25/26 July 1998 and 6 January 1999). Interestingly, several European representatives have joined these calls, as can be seen from the joint French and Japanese proposal in Frankfurt in early 2001 to promote an intermediate currency band arrangement, based on basket of currencies including the euro, the US dollar and the yen (*Financial Times* 15 January 2001). Presumably, this move is designed as much to rally the euro and promote its adoption as a reserve currency in Asia, as much as it is aimed at creating a currency to balance the role of the dollar and to anticipate any future yen bloc. Nevertheless, 'Europe's example of closer economic integration has planted the seed in many Asian minds that their region too must forge closer ties and co-ordinate exchange rate regimes' (*Financial Times* 16 January 2001).

On the other hand, Europe became more of a counter-model than model: for, there have in fact been very few suggestions that any Asian currency alignment should follow strictly in the euro's wake. Rather, Europe's regional activities as a clearly determined region prompt Asian representatives to respond with a collective *regional* voice, suggesting that eliciting a response is more important than the nature of that response. As Japanese Finance Minister Kiichi Miyazawa noted in early 2001, 'talks with Europe are helping us build up our own Asian identity' (*Financial Times* 16 January 2001). At the same time, ASEAN was recognized as a forum which, given the informal pragmatism that underpins it, could never have been designed to deal with this kind of crisis. As a consequence, it was clear that a future ASEAN would be one that was linked more closely than ever to its significant East Asian allies. It has become evident, therefore, that Asia needs to raise a stronger collective voice, but not one which imitates the EU's approach or intensity. Finally, the crisis underlined the fact that 'Asia' and 'Europe' frequently come to be located at opposite ends of the spectrum: western capitalism faces Asian 'crony capitalism', as distinct units with irreconcilable modes of economic activity.

An intensified perception of a notion of an ever strengthening 'fortress Europe' provided the main spur for a collective Asian response to Europe. The competitive limitations of Asian firms, their preference for other locations, regulations and language barriers, the costs of investment and home country policies have always made Europe a difficult place to penetrate for Asian firms. What is more, many businesses within East Asia have

long been suspicious of the EU's development of trade and competition policy, trade-related investment measures, and environmental and labor clauses, since they tend to redound to the advantage of Europe and function to the detriment of Asia (Dent 1999b, pp. 387-8). While there are available incentives for foreign investors to enter the EU, restrictions on certain sectors such as telecommunications, as well as general local content requirements and access to R&D and visas, make investment difficult. The fragmented and differentiated nature of the European market and its procedures makes it less attractive than the US, while the fact that the policy framework in Europe is often set nationally makes it hard for outsiders to decipher. For these reasons, and despite the regional core networks established by firms such as Toyota within Europe, FDI from developing Asia between 1990 and 1993 accounted for only one per cent of inward FDI into the EU. During the 1990s, several states, such as Singapore and Thailand, took greater interest in Europe, seeing, in particular, investment in Central and Eastern Europe as a way of overcoming levels of current and projected protectionism. The geographical proximity of these potential host countries to the EU market, their preferential arrangements, and imminent entry into the Union gave them prized regional access and made them lucrative targets for investment. Moreover, while local demand continued to increase, labor and raw material costs made it cost effective to locate production plants there. These advantages, if not secured within an institutionalized framework, however, were soon to be lost with the growth of Central and East European rivals for similar products (such as chemical and low-technology manufactures). Until recently, many Asian countries and especially those of ASEAN had shown more interest and concern in APEC than in Europe, given closer economic interests and the former's

accommodating non-binding 'open regionalism.' This regionalism is amenable to the Asian (and especially ASEAN's) way of doing business, in contrast to what are often perceived as incompatible rigid rule-based negotiations by the EU. However, a rash of high-profile European trade missions to Asia in the early 1990s (for example, by German Chancellor Kohl, Belgian Prime Minister Jean-Luc Dehaene and British Prime Minister John Major) combined with preparations for the 1999 launch of the euro, the European single currency and greater consolidation (notably at the European Maastricht summit in 1992) of the EU political as well as the economic project to raise the international credibility and attractiveness of Europe to external traders and investors. The euro, in particular, was initially welcomed as a possible alternative to the role of the dollar in the region and as a means of facilitating more effective access to the European market: "With the introduction of a single currency, Asian countries can enter one coherent market free from impediments to its internal trade and with an impressive growth potential" (Lee 1999, p. 70).

ASEM clearly offers its Asian participants greater bargaining power than each state, or even ASEAN, could muster alone, while also benefiting them individually. Member states of ASEM, and in particular those initially those of ASEAN, recognized in its origins the opportunity to enhance national interests, particularly on a regional level. At its origins, Thailand and Singapore took the opportunity to spotlight their own (economic) development, by hosting media-rich events (ASEM 1 and the location for ASEM, respectively) on their own territories. For the additional three East Asian states, ASEM also offers project benefits (such as the information network of Korea), but, more

importantly, provides them (especially Japan and China) with a new forum in which to demonstrate their international credentials (Gilson 1999). More interestingly still, China has used the forum as a channel for presenting its global citizen credentials in a period when it began to seek support for its entry to the WTO. ASEM has even been the channel used by Beijing to propose and organize seminars on (Asia-Europe) human rights, in a conscious attempt to address some of the criticisms leveled at it regarding this issue. For this reason, ASEM may in fact be a useful vehicle for the enhancement of closer regional ties. There is, however, also a cognitive level on which it is important to ponder this issue: since the Asian side of ASEM does not possess a 'rival narrative' to the structural framework in which both regions must interact, the dominance of the rules-based system, to which the EU subscribes and which forms (through the WTO etc) the backdrop for ASEM, continues to prevail and leaves the EU (with the European Commission at its core) in the driver's seat in establishing economic dialogue.

Conclusion

This chapter has delineated the contours of a developing trans-regional dialogue among the states of the EU and East Asia. This fledgling forum has brought together for the first time the two 'weak sides' of a perceived triangle and has served to facilitate trade and other interests among the two participating groupings. At the same time, however, the broad spectrum of issues addressed by ASEM, its lack of institutional procedures, and the inchoate nature of the Asian region in this putative partnership of equals have all, in fact, served to diminish its capabilities.

The ASEM process, taking as its core a number of bilateral and other trans-regional channels for dialogue that had already been established for some years, originated from the confluence of changing systemic, intra-regional, domestic and sub-national interests. Thus, while the ending of the cold war and the rapid globalization of certain aspects of production, investment, trade and communications combined with a growing discontent with the mechanisms of global regimes, the development of new regional roles and identities simultaneously prompted a new conceptualization of about the most appropriate site of agency from which to articulate the interests of differentiated sets of individuals. This case study does indeed suggest that we are witnessing an emerging synthesis in the dialectic of market-driven globalism and politically driven regionalism.

The different hypotheses presented at the start of this book are instructive in explaining the status of ASEM vis-à-vis the other trans-regional fora discussed. First, the interest group hypothesis would appear to offer the most compelling explanation for the development and sustenance of this forum to date. It was, after all, as a result of business lobbying that Singapore originally proposed the meeting, while the summits themselves have been shadowed by non-governmental lobbyists in the form of the AEPF. The latter have exerted pressure upon the EP, itself trying to augment its own position within the structures of the EU to lobby on its behalf. Similarly, East Asian business representatives have been concerned about the impending effects of enlargement upon the relative competitiveness of East Asia. European SMEs, were also initially interested in utilizing ASEM to promote their activities in East Asia. In fact, ASEM has proved to

be an insufficient vehicle for harnessing these concerns and business interests, in the form of the AEPF.

Second, the bureaucratic hypothesis expounds a competition of interests among policy networks within and around the formal mechanisms of the EU. Although the French government, on behalf of the EU, agreed to the original Singaporean proposal for ASEM and the coordination for much of the agenda has been in the hands of the European Commission in an arena left vacant by uncommitted state leaders and their Council representatives, there is not sufficient primacy attached to East Asia – particularly since the financial crisis of 1997 – for it to register to a significant degree on any bureaucratic list of priorities. Indeed, the fact that the ASEM process itself lacks a secretariat delivers the European Commission into the *de facto* role of ASEM executive. Notwithstanding this role, and with the exception of a few figures of the caliber of Leon Brittan and Christopher Patten, meetings for ASEM are frequently attended by low-level officials and the corridors of the Commission and Council have never been abuzz with East Asian themes. Indeed, given the constitution of the European Commission, there are also very few officials who are able to gain an overarching appreciation of all the Asian participants of ASEM.

Third, the balance of power hypothesis inspires many scholarly reviews of ASEM, as it can be neatly accommodated within explanations of trilateral bargaining and by proponents of various schools of thought on globalization. Indeed, external threats have been crucial in the making of ASEM; it has been touted as a counterweight to APEC,

offering balancing behavior cast in the dye of the triad. These assertions were particularly pertinent in the wake of the Seattle *débâcle*, but have withered somewhat with promises of a new WTO trade round and ASEM's embrace of the Doha Development Agenda. It remains to be seen whether ASEM can play a fruitful and interactive minilateral part in promoting the new round. Moreover, the (apparently) coherent nature of the EU side provides for it a dominant actor role in this bilateral relationship. Important in this respect, however, is that ASEM does not offer an *alternative* forum, so much as proffer a complementary stratum by which to pursue ongoing goals. In this way, multidimensionality is not confined to the substantive issues of the forum, but extends to its positioning within the global network of international engagements.

Fourth, the constructivist hypothesis is important in illustrating how the EU and its counterpart seek to finesse and develop an external identity and to promote the utility of regions as optimal units for organizing the global economy. ASEM has been able to locate in one forum a comprehensive and overlapping debate over political dialogue and economic affairs. It is therefore able to situate the European Commission's trade mandate alongside ongoing redefinitions of the role of the CFSP and express globally a comprehensive regional profile. In the context of the ASEM process, moreover, it is able to project onto its embryonic counterpart an ideal-type regional institution. In these ways, ASEM provides a novel learning environment for region-to-region interaction and for defining the very meaning of 'region' itself.

The substantive measurements set out in the introductory chapter also bear witness to the confusion over ASEM's future direction. First, the strength of this arrangement, in terms of its ability to constrain actor behavior, remains weak. The open and non-binding nature of ASEM are enshrined in the official documents that determine its four key characteristics. These comprise its informality, multidimensionality, emphasis on equal partnership, and high-level (top-down) focus, all of which obstruct the development of a more compelling regime. Second, the degree of institutionalization is low and the continuity of the process is maintained primarily by the European Commission with additional support from the rotating East Asian coordinators. Without even an APEC-style mechanism for disseminating information and providing constancy, and given the fact that it is not a negotiating forum, it is difficult to see how the ASEM will be able to function in long term in an effective manner. Third, the nature of the regime remains liberal and WTO-supporting, with the effect that it remains hard to see the 'value-added' of ASEM itself. Fourth, the issue scope is broad but unequal, as the examples of IPAP's unifocal attention to investment regulation and the downgrading of working groups in a number of policy areas both illustrate. Current global events have placed greater weight on the political pillar of ASEM, but it remains to be seen whether its participants are willing and able to make a distinct contribution to ongoing issues of political salience. Fifth, the scope of the actors is similarly diverse, especially on the East Asian side, and is linked closely to the sixth point, regarding the changing counterpart coherence.

These apparent shortcomings demonstrate that ASEM fails to measure up positively to common criteria for regional and trans-regional effectiveness and continues to suffer

from “problems of self identification” (Lee Dong-hwi 1998: 115). It may, however, be too soon to judge its efficacy and a longer time-scale may reveal alternative benefits to this novel form of trans-regional interlinkages. As the AFTA mechanisms take root and new models for regionalism are constructed in East Asia with the development of the APT process, a complex set of overlapping networks may situate ASEM at the core of hybrid trans-regionalism. This structure reflects an “informal reallocation of responsibilities” within one of the now numerous structures, rather than a formalization of arrangements (Cohen 1995: 531). In this model, sitting alongside the further development of bilateral and intra-regional structures, ASEM could also promote the EU’s external identity and strengthen the sub-unit of ‘ASEM Asia’ as a convenient marker against for its external interests. The key to this structure then, rests in the power distribution of the EU vis-à-vis other regions and in the context of an increasingly unwieldy global economy.

The effect of these maneuvers will be to move from hybrid trans-regionalism (which reflects and is founded upon interaction at multiple levels of engagement) to a strengthened form of trans-regionalism, in which the very development of a region of East Asia enables it to exist in other circumstances. In both forms, the EU acts as carbon copy or alternative model, and the legitimacy of its own regional identity continues to be strengthened by this kind of trans-regional engagement.

Table 1: Regional Trade by the EU

Region	Share of EU exports	Share of EU trade	Trade Balance
	%	%	€ billion
North-East Asia	13.0 %	17.4 %	- 96.4
South-East Asia	4.3 %	5.6 %	- 29.3
South Asia	1.9 %	1.9 %	- 2.6
Australasia	1.9 %	1.5 %	+ 6.7
Total Asia	21.1 %	26.4 %	- 121.5
Europe outside EU	30.9 %	29.2 %	+ 6.7
NAFTA	28.4 %	24.9 %	+ 43.1
Mediterranean	5.4 %	4.9 %	+ 5.9
S & C America	4.3 %	4.2 %	- 1.0
Gulf	3.3 %	3.0 %	+ 2.7
ACP	4.1 %	4.1 %	- 4.9

Source: Eurostat

Table 2 Share of World* Trade (1998 as % total)

	Commercial	Goods
	Services	
EU*	24.9	18.9
Asian ASEM	19.4	21.0
US	20.1	18.9

Notes:

*Excludes intra-EU trade

Source: Eurostat

Table 3 Foreign Direct Investment (FDI) (1998 and % total)

	Inflows	Outflows
EU*	19.4	45.0
Asian ASEM	14.4	8.0
US	37.4	28.0

Source: Eurostat

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¹ The three newest member states of ASEAN – Myanmar, Cambodia and Laos – are not participants in ASEM.

² Cited on http://europa.eu.int/comm/commissioners/lamy/speeches_articles/spla95_en.htm.

³ See http://europa.eu.int/comm/external_relations/asem/asem_summits/asem4/sec02.htm.

⁴ See http://europa.eu.int/comm/external_relations/asem_ipap_vie/texts/links.

⁵ Within this, the developed countries in the region (Japan, Korea, Hong Kong, Taiwan, Australia, New Zealand) accounted for 10.6% of our total exports, and the developing countries (South and South-East Asia, China) for 10.5%. Major trading partners within the region include Japan (4.8% of EU exports in 2000), China (2.7%), Hong Kong (2.2%), South Korea (1.7%), Australia (1.7%), Singapore (1.6%), Taiwan (1.6%) and India (1.4%). ASEAN as a group accounted for 4.3% of EU exports.

⁶ This was still a relatively limited proportion of global EU FDI. Asia accounted for 6.8% of total EU outward FDI in 1999, compared to 67.5% going to the NAFTA countries, 15.1% going to Central and South America, and 7.5% to Europe outside the EU.

⁷ http://europa.eu.int/comm/commissioners/lamy/speeches_articles/spla95_en.htm.

⁸ The Asia-Europe Environment Technology Centre (AEETC) was a further initiative in this vein, but most ASEM partners have now ceased their funding for it.

⁹ <http://www.aseansec.org/12259.htm>.