

Contemporary Trans-regional Cooperation between Europe and Asia in a Changing World

Beginnda Pakpahan

University of Indonesia & University of Edinburgh

Abstract

This article is concerned with contemporary trans-regional cooperation between Europe and Asia in a changing world. It examines the emerging economic relationship between the EU and Asia and possible challenges and implications facing both regions. It argues that Europe-Asia economic and commercial ties are likely in the future to result in unbalanced economic development between both these regions; in short, future agreements are likely to disproportionately favour Europe. Therefore, the economic and commercial ties between these two regions should aim to develop the least advanced countries in Asia. The article argues that the Asia-Europe Meeting (ASEM) can be empowered as a common flexible framework for bilateral and inter-regional trade initiatives between both regions; it can be empowered to manage and monitor these trade initiatives and their social implications for vulnerable ASEM countries. The main objective of this article is to contribute a clearer understanding of the current EU-Asia relationship in the context of ASEM.

Keywords

Europe; Asia; ASEM; EU; Free Trade Agreements

THE POST-COLD WAR ERA HAD RESULTED IN THE UNITED STATES OF AMERICA (USA) becoming powerful in political, economic and social terms. However, the European Union (EU) has also been emerging as a global actor pursuing contacts with other nation-states and regional organisations, especially in the economic sphere. The countries of the Association of Southeast Asian Nations (ASEAN) responded with an initiative to build ASEM (Asia-Europe Meeting) together with the EU. They established ASEM in 1996 as a means for both parties to improve their relationship by involving three strong economies in Asia: Japan, China and South Korea. In the following years, new members joined ASEM, such as Cambodia, Pakistan, India, Mongolia, Vietnam, Laos and Myanmar. Russia, Australia and New Zealand also joined ASEM in October 2010¹.

In this current millennium, a new significant trend in regional trade has emerged, especially in response to free trade agreements between two or more actors. However, the economic relationship has continued to be discussed in the rules and mechanism to achieve standard measures and systems. The main reason why a regional trend has

¹ASEM (2010). 'Presentation', ASEM VIII: Brussels, p. 1. Available at <http://www.asem8.be/presentation>, last accessed on 3 November 2010.

I would like to thank Paul Anderson, Maxim Alkon and Martin E. Procter for their constructive suggestions and valuable brainstorming sessions with me regarding this article, as well as two JCER anonymous reviewers for their comments. I would also like to thank my supervisors, family members and colleagues for their support.

emerged is that the negotiations of the World Trade Organisation (WTO) Doha Round have been deadlocked between two conflicting actors. The subsidy and protection of agricultural and farming products in the developed countries must be discussed because it has divided developed and developing countries into two different camps. The deadlocked situation in the multilateral trading system has tended to change a multilateral system into trans-regional, regional and bilateral systems. Therefore, the trans-regional relationship is an alternative form of ties chosen by developed and developing countries to strengthen trade and investment relationships. Examples of trans-regional relationships include ASEM, the Asia-Pacific Economic Cooperation (APEC) and the Forum for East Asia and Latin America Cooperation (FEALAC).

In line with the above, the USA has used free trade agreements as an alternative to improve its economic relations with other countries and various regional organisations. The EU does not want to be left behind by the USA. The EU builds regional co-operation agreements in order to balance the existence and influence of the USA in specific areas, such as Asia and Africa. Meanwhile, the EU still expects to have a multilateralist approach by observing the regulations and rules of multilateral trade agreements of WTO as a collective objective. In fact, the Doha Development Agenda of WTO is still not agreed by all countries.

Furthermore, there were two existing trans-regional co-operations that linked Asia and the Pacific (APEC) on the one hand and Europe and the USA (the New Transatlantic Agenda) on the other. ASEM filled the gap in a wider triadic relationship between APEC and the New Transatlantic Agenda². Europe and Asia established ASEM with the primary objectives of building a political framework between the European and Asian continents, promoting economic relations between the two regions and creating a new forum in which to have preliminary discussions and find a solution with regard to WTO issues and developing socio-cultural ties between these two continents. The European and Asian countries hoped that the political and socio-cultural relationship in ASEM could support and expand their commercial relationship.

With regard to improving the economic ties between Europe and Asia, ASEM countries have showed their interest through the Hanoi Declaration on Closer ASEM Economic Partnership³. Nowadays, there are a number of negotiations on bilateral and inter-regional free trade agreements between the EU and Asian countries, such as the EU and ASEAN member states⁴, and the EU and India. The EU would like to apply the WTO-plus arrangement⁵ by having relations with Asian countries. The free trade agreement with WTO-plus arrangement is a comprehensive economic relationship which covers all aspects of commercial ties, such as trade in goods and services, investment, Intellectual Property Rights (IPRs), competition policy, government procurement, customs and trade facilitation, sustainable development, transparency and regulations and institutional frameworks. However, Asian countries prefer to apply a flexible framework to enhance the EU and Asia economic relationship. Asian countries have shown their interest in applying free trade

² Dent, C.M. (1997). 'Economic Relations between the EU and East Asia: Past, Present and Future', *Intereconomics*, January/February, p. 11, pp. 7-13.

³ ASEM (2004). *Hanoi Declaration on Closer ASEM Economic Partnership*, 8-9 October 2004, Hanoi. Available at <http://www.mofa.go.jp/policy/economy/asem/asem5/economy.html>, last accessed on 3 November 2010, p. 1.

⁴ The future goal of the EU and ASEAN is an ASEAN and the EU inter-regional free trade agreement. European Commission (2010). 'The EU pushes links with ASEAN in Economics Ministers Meeting', Brussels: The European Commission, p.1. Available at <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1073&format=HTML&aged=0&language=EN&guiLanguage=en>, last accessed on 3 November 2010.

⁵ Mayne, R. (2005). *Regionalism, Bilateralism, and "TRIP Plus" Agreements: The Threat to Developing Countries*, Occasional Paper No. 2005/18, Human Development Report Office. Available at http://hdr.undp.org/en/reports/global/hdr2005/papers/HDR2005_Mayne_Ruth_18.pdf, last accessed on 10 November 2010, pp. 10-12.

agreements based on trade in goods, investment and selected areas for trade in services. Therefore, the economic arrangement between Europe and Asia would be more flexible without violating WTO rules.

This article is concerned with the contemporary trans-regional cooperation between Europe and Asia in a changing world. I examine the emerging economic relationship between the EU and Asia and possible challenges and implications facing both regions. I argue that Europe-Asia economic and commercial ties are likely in the future to result in unbalanced economic development between both these regions; in short, future agreements are likely to disproportionately favour Europe. Therefore, the economic and commercial ties between these two regions should aim to develop the least advanced countries in Asia. I argue that ASEM can be empowered as a common flexible framework for bilateral and inter-regional trade initiatives between both regions; it can be empowered to manage and monitor these trade initiatives and their social implications for vulnerable ASEM countries. The main objective of this article is to contribute a clearer understanding of the current EU-Asia relationship in the context of ASEM.

This article is divided into five sections, as follows: first, I am going to discuss the development of inter-regionalism and trans-regionalism. I will explain the relationship between trans-regionalism and ASEM. I will also explain the linkage between trans-regionalism and the WTO multilateral trading system. Then, I will highlight the bilateral, regional and inter-regional economic arrangements that may result in trade creation or trade diversion. I will explain ASEM's key principles and structure. Second, this section will highlight the development of the EU - Asia relationship in the context of ASEM. Third, I will analyse the impact of existing trans-regional cooperation for both regions. Fourth, I will assess the implications of free trade agreements between the EU and Asian countries. They have the potential to improve the economic relationship between Europe-Asia, or to create complex problems. Fifth, I will explain some of the challenges and implications of the emergence of free trade agreements that might be faced by the EU and Asian countries.

Inter-regionalism and trans-regionalism

The system of global governance can be divided into four categories of relationships. They are bilateralism, regionalism, inter-regionalism and multilateralism. These categories have an influence on the economic ties and the structure of global governance⁶. I will focus on inter-regionalism because the EU and Asian countries are inter-connected through this category of relationship.

The number of regional projects has increased since the 1990s because of the effects of emerging globalisation and changes in geo-political and security structures. This situation is known as 'new regionalism'⁷. Hettne and Soderbaum imply that new regionalism has a close relationship with the trade agreements and economic development within regions⁸. Furthermore, Hilaire and Yang argue that the development of new regionalism has reduced many trade barriers, such as high costs, shortcomings in the multilateral trading system, preferences of member states, capital movements, migration and environmental

⁶ Dent, C.M (2005). 'The New Economic Bilateralism in South-east Asia: Region-Convergent or Region Divergent?', *International Relations of the Asia-Pacific*, 6 (1), pp.81-111.

⁷ Breslin, S., Higgott, R. and Rosamond, B. (2002). 'Regions in Comparative Perspective', in S. Breslin, C.W. Hughes, N. Phillips, and B. Rosamond. *New Regionalism in the Global Political Economy*, London: Routledge, p. 4.

⁸ Hettne, B. and Soderbaum, F. (2000). 'Theorising the Rise of Regionness', *New Political Economy*, 5, p. 457.

issues⁹. New regionalism is expanding its activities, increasing the complexity of issues and the number of participating actors, which in turn leads to the development of inter-regionalism.

Aggarwal and Fogarty divide inter-regionalism into three different categories as follows: pure inter-regionalism, hybrid inter-regionalism and trans-regionalism. First, they explain that “pure inter-regionalism” is a relationship between two free trade areas and customs unions, such as in the EU-ASEAN relationship. Second, they classify “hybrid inter-regionalism” as an agreement between a customs union and a group of countries, such as the Lomé Conventions between the EU and the African, Caribbean and Pacific Group of States (ACP states). Finally, they define trans-regionalism as a relationship between countries from two separate regions either as a group or as individual countries, such as in the case of APEC. Aggarwal and Fogarty identify all these categories of inter-regionalism based on commercial ties¹⁰.

Furthermore, Rüland argues that inter-regionalism is a dialogue between regions for sharing information and establishing cooperation in various spheres, such as trade, investment, and development¹¹. He categorises inter-regionalism into two types of relationship, bilateral inter-regionalism and trans-regionalism. He implies that bilateral inter-regionalism is a low level institutionalised form of relationship based on particular areas of cooperation, such as trade and investment ties and environmental cooperation. Examples of bilateral inter-regionalism are the EU-Mercosur relations and the EU and Andean Community ties. Rüland adds that trans-regionalism is a co-operation between ‘big actors’ that are members of two regional organisations and/or individual countries within related regions. The members of trans-regional cooperation can build their trans-regional institutions based on their own resources, such as a research centre, an academic community and an activist network of non-governmental organisations (NGOs)¹².

Based on the explanation above, ASEM is an example of trans-regionalism that involves two regional organisations (the EU and ASEAN) and other individual countries (China, India, Japan, Pakistan, India, Mongolia, Russia, Australia and New Zealand) within Europe and Asia. Moreover, ASEM covers many issues of cooperation, such as political, economic and socio-cultural issues. There are various actors involved in ASEM’s activities, such as governments, academics, NGO activists, and business communities. ASEM indicates trans-regional cooperation rather than regional integration.

Trans-regionalism is situated between regionalism and multilateralism. Trans-regional cooperation is a result of the emergence of regional organisations and individual countries within the system of global governance. Nowadays, the portion of economic cooperation within trans-regional cooperation is increasing compared with political and socio-cultural types of co-operation. It happens because the economic interdependence between regions is rising. The extension of trans-regional economic cooperation is linked to the WTO’s legal framework. This legal framework requires that all regional free trade areas or customs unions should not violate WTO rules, but they can complement each other with

⁹ Hilaire, A. and Yang, Y. (2003). *The United States and New Regionalism/Bilateralism*, IMF Working Paper WP/03/206, pp. 7-8. Available at <http://www.imf.org/external/pubs/ft/wp/2003/wp03206.pdf>, last accessed on 28 October 2010.

¹⁰ Aggarwal, V. and Fogarty, E. (2004). *European Union Trade Strategies: Between Globalism and Regionalism*. Basingstoke: Palgrave Macmillan, pp. 4-6.

¹¹ Rüland, J. (2002a). ‘Inter- and Trans-regionalism: Remarks on the State of the Art of a New Research Agenda’, National Europe Centre Paper No. 35, Workshop on ‘Asia-Pacific Studies in Australia and Europe: A Research Agenda for the Future’, Australian National University (July), pp. 3-4.

¹² Rüland, J. (2002b). *The European Union as an Inter and Trans-regional Actor: Lessons for Global Governance From Europe’s Relations with Asia*, National Europe Centre Paper, No.13, paper presented at the conference on ‘The EU in International Affairs’, 3-4 July 2002, National Europe Centre, Australian National University, pp.2-3.

the objective of trade liberalisation¹³. Indeed, the majority of ASEM countries are also WTO members, which implies a need on the part of ASEM to comply with the WTO legal framework. As a result of this situation, ASEM's economic cooperation must complement the WTO multilateral trading system.

With all of this in mind, the bilateral, regional and inter-regional economic agreements may result in trade creation or trade diversion. Viner implies that the effects of customs union are trade creation and diversion. Trade creation will happen if the elimination of tariffs within the intra-member trade area would create demand among member states because the prices of some products are cheaper in a partner country than the prices of a domestic product. Trade diversion will happen if the elimination of tariffs among intra-member states raises prices for products from outside the customs union. This situation is caused by high external tariffs that are employed in the case of all products from any third countries¹⁴. Additionally, free trade agreements consist of the elimination of tariffs and quotas amongst countries that participate in the bilateral, regional and inter-regional economic agreements.

The key principles of ASEM are, first, that it is based on equal partnership and mutual respect. Second, ASEM is an open process: its enlargement of membership can be based on consensus amongst the heads of state and government of ASEM members. Third, ASEM develops mutual understanding through a process of dialogue, which leads to cooperation. Fourth, ASEM has three main spheres of cooperation: political dialogue, economic cooperation and socio-cultural cooperation. Fifth, ASEM is a low institutionalised organisation based on an informal policy-making system. Finally, there are many stakeholders involved in ASEM, such as governments, academics, researchers, and NGO activists¹⁵.

The structure of ASEM consists of a biennial summit of heads of state and government at the highest decision-making level in ASEM. Ministers of Foreign Affairs, Economic Affairs and Finance meet regularly within two years. Senior Official Meetings assist Ministers of Foreign Affairs to coordinate overall activities within ASEM. The regional coordinators provide support for Senior Official Meetings in terms of facilitating and administering these meetings. The regional coordinators consist of the European Commission and the Presidency of the European Council on the European side; one country representing ASEAN and one country representing the Northeast Asian counterparts on the Asian side. Additionally, the Asia-Europe Foundation (ASEF) is a non-profit organisation that promotes education and cultural activities, people to people relationships and think-tank networks between Europeans and Asians¹⁶.

The development of ASEM

The EU-Asia relationship could not be released from an important role within ASEAN because it was an initiator of ASEM. ASEM was initiated in 1994 by Goh Chok Tong, former Prime Minister of Singapore¹⁷. The initiative aimed to foster and improve the existing

¹³ Wilkinson, R. (2005). 'The World Trade Organization and the Regulation of International Trade', in D. Kelly and W. Grant. *The Politics of International Trade in the Twenty-First Century*. Basingstoke: Palgrave Macmillan, pp. 21-23.

¹⁴ Viner, J. (1950). *Custom Union Issue*. London: Stevens & Sons Limited for the Carnegie Endowment for International Peace, pp. 43-44.

¹⁵ Japan Centre for international Exchange and University of Helsinki Network for European Studies (2006). *ASEM in its Tenth Year Looking Back and Looking Forward: An Evaluation of ASEM in its First Decade and an Exploration of its Future Possibilities*, Helsinki, March 2006, pp. 4-5.

¹⁶ *Ibidem*, p. 5.

¹⁷ Camroux, D. (2006) *The Rise and Decline of the Asia-Europe Meeting (ASEM): Asymmetric Bilateralism and the Limitations of Interregionalism*. Centre d'études européennes: Cahiers Européens, p. 5.

relationship between the EU and ASEAN, which had been established since 1980. The EU responded to the initiative positively and agreed to launch the cooperation together with ASEAN within two years. There are two ways to see why Europe and Asia wanted to develop their relationship in the context of ASEM. On the one hand, the EU wanted to use ASEM as a foreign policy means to approach Asia in a larger context¹⁸ and also wanted to improve its relationship with ASEAN. Therefore, the EU wanted to combine the EU and ASEAN inter-regional relationship and ASEM in order to get maximum influence and presence in Asia. In addition, the EU was interested in developing ASEM because of its specific interest in three Asian countries (Japan, China and South Korea). On the other hand, the arguments as to why Asian countries wanted to develop a trans-regional cooperation with Europe were as follows: first, ASEAN wanted to foster its bilateral inter-regional cooperation with the EU by creating a new channel of trans-regional ties, namely ASEM. ASEAN hoped that ASEM would be compatible with the EU-ASEAN relationship. Second, ASEAN wanted to be a focal point of Europe and Asia trans-regional cooperation and a bridge between these two regions. Therefore, the involvement of Japan, China and South Korea in ASEM was a selling point of ASEAN to the EU. Third, China, Japan and South Korea could get market access and expand their markets in Europe by exporting their products in the best and proper arrangement through ASEM. Moreover, they could attract European investors to invest their funds in China, Japan and South Korea.

Furthermore, ASEM has many members, such as the EU member states, the European Commission, the ASEAN Secretariat, ASEAN member states, China, Japan, South Korea, Pakistan, India, Mongolia, Russia, Australia and New Zealand. However, the pluralism of ASEM member states causes a lack of cohesion and coherence amongst themselves, especially in building a collective position¹⁹. There are many actors that are involved in ASEM activities, such as heads of state from ASEM member states, bureaucracies, NGOs, scholars, artists, mass organisations, and activists. Then, ASEM is a low institutionalised trans-regional cooperation because of a lack of institutional mechanisms, rules and regulations²⁰. In reality, ASEM is a forum that was built with high institutionalisation in the EU and low institutionalisation in the Asian countries. Therefore, they have different objectives in the creation of ASEM. The EU wanted ASEM to be more institutionalised and well managed. However, Asian countries wanted ASEM to be a low institutionalised and more flexible forum in order to adjust their policies based on certain situations.

Moreover, ASEM has a unique approach compared to that of APEC. ASEM covers a broad range of issues, while APEC only covers economic issues as a foundation of Asia and the Pacific trans-regional cooperation. In the following years, APEC has changed by taking up some issues outside the realm of economic issues, such as terrorism and environmental protection. However, ASEM also has a broad range of issues to be discussed by its members, such as political issues, economic issues, socio-cultural issues, environmental issues, and human rights issues.

ASEM has organised eight meetings between 1996 and 2010. The first ASEM meeting was held in Bangkok, Thailand in 1996 with the theme of building an informal dialogue and creating trust between the leaders of Europe and Asia²¹. The two regions agreed to build two bodies (the Asia-Europe Foundation and The Asia-Invest Programme) as a result of the

¹⁸ European Commission (1994). *Towards a New Asia Strategy*, Brussels, 13 July 1994. Available at http://europa.eu/legislation_summaries/external_relations/relations_with_third_countries/asia/r14202_en.htm last accessed on 10 November 2010.

¹⁹ Holland, M. (2002). *The European Union and The Third World*. New York: Palgrave, p. 59-84.

²⁰ Gilson, J. (2004). 'Weaving a New Silk Road: Europe Meets Asia', in V. Aggarwal and E. Fogarty, *EU Trade Strategies: Between Regionalism and Globalism*. Basingstoke: Palgrave Macmillan, pp. 69-71.

²¹ ASEM (1996). *ASEM 1: Chairman's Statement of the First ASEM Meeting*. Available at http://www.aseminfoboard.org/content/documents/chairmans_statement_asem_1.pdf, last accessed on 19 November 2010.

first ASEM meeting. The Asia-Europe Foundation is a means to enhance people to people relationships and build contacts between Europe and Asia²². The Asia-Invest Programme is intended to provide information for European investors with regard to business and investment rules and regulations of Asian countries. Human rights issues were quite a sensitive part of the agenda that had been discussed in the first ASEM meeting. The European countries were concerned about and wanted to discuss human rights issues because of the many human rights violations in Asian countries. However, Asian countries were quite reluctant about this. They wanted to discuss economic affairs rather than human rights issues.

The second ASEM meeting was held in London, the United Kingdom in 1998²³. At that time, Asian countries were still struggling to recover from the Asian Financial Crisis of 1998. The ASEM meeting agreed to assist Asian countries that were hit by the financial crisis, such as Indonesia, Thailand and South Korea. The ASEM meeting agreed to establish the ASEM Trust Fund and the Investment Promotion Action Plan. However, the ASEM meeting did not run as smoothly as planned because human rights issues came up again. The EU member states focused on the cases of Tiananmen Square in China and the East Timor province in Indonesia.

In October 2000, the third ASEM meeting was held in Seoul, South Korea²⁴. The main issue was the North and South Korea reconciliation meeting that was held in the same year. ASEM welcomed a monumental North and South Korea meeting in Pyongyang, North Korea, which was a good start for a dialogue and peace process amongst these two countries. ASEM also agreed to release the Seoul Declaration for Peace in the Korean Peninsula²⁵. Furthermore, ASEM leaders also agreed to develop cooperation in various areas, such as the control and proliferation of nuclear and chemical weapons, the reform of the United Nations, the commitment to the UN Millennium Development agenda, trade and investment, information, communication and technology (ICT) and migration.

The fourth ASEM meeting was held on 23-24 of October 2002 in Copenhagen, Denmark²⁶. The ASEM meeting took place a year after the terrorist attacks on 11 September 2001. Therefore, ASEM countries focused the debates on the issue of counter-terrorism, which was one of the themes of the meeting. Three other issues were raised at this ASEM meeting. First, ASEM members agreed to promote a multilateral trading system by supporting the negotiations of the WTO Doha Development Round. The second main issue was the creation of Civilisation and Cultural Dialogues between Europe and Asia. Finally, ASEM committed itself to work together in order to decrease the digital divide between Europe and Asia, such as information, technology and communication.

²² Kettunen, E. (2004). *Regionalism and the Geography of Trade Policies in EU-ASEAN Trade*. Helsinki: Helsinki School of Economics, p. 314.

²³ ASEM II (1998). *Second Asia-Europe Meeting: Chairman's Statement*, London. Available at http://www.aseminfoboard.org/content/documents/chairmans_statement_asem_2.pdf, last accessed on 19 November 2010.

²⁴ ASEM (2000). *Chairman's Statement of the Third ASEM Meeting*, 20-21 October, Seoul. Available at http://www.aseminfoboard.org/content/documents/chairmans_statement_asem_3.pdf, last accessed on 19 November 2010.

²⁵ Ministry of Foreign Affairs and Trade Republic of Korea (2000). *Asia-Europe Meeting*, 19-21 October, Seoul. Available at <http://www.mofat.go.kr/english/regions/intorganization/asem/index.jsp>, last accessed on 19 November 2010.

²⁶ ASEM (2002). *'Chairman's Statement of the Fourth ASEM Meeting'*, 22-24 September 2002, Copenhagen. Available at http://www.aseminfoboard.org/content/documents/chairmans_statement_asem_4.pdf, last accessed on 19 November 2010.

Furthermore, the fifth ASEM meeting was held on 8-9 October 2004 in Hanoi, Vietnam²⁷. ASEM agreed to receive three new members of ASEAN: Myanmar, Cambodia and Laos. Moreover, ASEM countries supported the EU enlargement project, which had recently accepted new member states from Southern, Central and Eastern Europe: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia. The EU member states focused their attention on the question of human rights violations and more specifically the detainment of Aung San Su Kyi in Myanmar. ASEM also supported ASEAN in its aim to achieve the creation of the ASEAN Community in 2020, which is a main part of the ASEAN's regional integration process. In the economic sphere, ASEM still discussed the matter of commercial liberalisation and the development of a multilateral trading framework in the WTO. Moreover, ASEM agreed to build closer economic cooperation between Europe and Asia.

The sixth ASEM meeting was held in Helsinki, Finland in 2006²⁸. ASEM agreed on two main agendas, political and economic. ASEM reached an agreement on the main political agendas, as follows: ASEM agreed to support ASEAN and the United Nations in solving human rights violations and implementing a road map for democracy in Myanmar. ASEM also agreed to use a dialogue mechanism to solve the Iran and North Korea nuclear crises. With regard to the economic agenda, ASEM showed its concern about the deadlock within the WTO Doha Round of negotiations in 2005 in Hong Kong. Additionally, ASEM committed itself to support negotiations in the future. ASEM also agreed to build an inter-link of sustainable development between social development, economic development, energy security and environmental protection.

The seventh ASEM meeting was held on 24-25 October 2008 in Beijing, China²⁹. At this meeting, ASEM accepted new members from two continents, such as Bulgaria, Romania, Mongolia, Pakistan and the ASEAN Secretariat. There were important agenda items that were discussed by ASEM members at this meeting. First, ASEM reminded Iran and North Korea that they should end their nuclear programmes. Second, ASEM raised the issue of strengthening cooperation within the international community by responding to the global financial crisis, which had a significant impact on the global financial system and the world economy. Third, ASEM also focused its attention on the conclusion of the negotiations concerning the Doha Development Agenda of WTO, which is due to expire in 2010. ASEM encouraged all European and Asian countries to solve this challenge by working together. Fourth, ASEM also agreed to implement sustainable development by implementing environmental protection and providing energy security. Fifth, ASEM wanted to improve the economic linkage between Europe and Asia via the implementation of the Hanoi Declaration on Closer ASEM Economic Partnership.

The eighth ASEM meeting was held on 5-6 October 2010 in Brussels, Belgium³⁰. At this meeting, ASEM agreed to the enlargement of its membership by accepting Australia, New Zealand and Russia as new members. ASEM agreed to play its part in the development of effective global economic governance. ASEM supported the reform of the financial sector

²⁷ ASEM (2004). *Chairman's Statement*, 8-9 October, Hanoi. Available at http://www.aseminfoboard.org/content/documents/chairmans_statement_asem_5.pdf, last accessed on 19 November 2010.

²⁸ ASEM 6 (2006). *Chairman's Statement of the Sixth ASEM Meeting*, Helsinki. Available at: http://www.asem6.fi/NEWS_AND_DOCUMENTS/EN_GB/1157980831578/FILES/75889445627169087/DEFAULT/CHAIRMAN_S_STATEMENT.PDF, last accessed on 6 January 2010.

²⁹ ASEM (2008). *ASEM 7: Chairman's Statement of the Seventh ASEM Meeting*, Beijing. Available at http://www.aseminfoboard.org/content/documents/ASEM7_Chair-Statement.pdf, last accessed on 6 January 2010.

³⁰ ASEM, (2010). *ASEM 8: Chair's Statement and Brussels Declaration*, 4-5 October 2010, Brussels, pp. 1-20. Available at http://www.asem8.be/sites/default/files/ASEMper_cent208per_cent20Chairper_cent27sper_cent20Statement.pdf, last accessed on 28 October 2010.

and the transparency of the financial system. ASEM would encourage G-20 and the Financial Stability Board to work closely in strengthening transparency and recovery in the financial system. ASEM also supported the reform of International Financial Institutions by affording a greater involvement by dynamic emerging markets and developing countries³¹. Finally, ASEM demonstrated its desirability by improving the coordination mechanism amongst its members.

From the explanation above, we can see that the ASEM's agenda has been mainly dominated by political considerations rather than economic ones. Recently, there have been some attempts to foster economic cooperation between Europe and Asia. However, ASEM does not give its full attention to economic matters. Therefore, there is still a huge gap between these two regions and thus a need to explore their economic relationship.

Despite this potential economic relationship, the development of ASEM faces many obstacles. First, ASEM has a lack of political will because the EU leaders want to improve and institutionalise their level of cooperation in ASEM. However, Asian leaders are quite happy with the existing situation because they receive more space to manoeuvre and to get flexibility through the low institutionalisation of ASEM. Asian countries use the 'ASEAN Way', which means that they choose not to interfere in other countries' domestic affairs and in doing so respect the sovereignty of those countries. This situation contrasts with the EU member states, which are critically seeing human rights violations in Asian countries as an obstacle to their relationship. Most Asian countries want to discuss economic affairs rather than political affairs. There in lies the divergence in views between the two camps.

Second, ASEM examines a broad range of issues, such as international politics, economics, socio-cultural issues, human rights, the environment, development, terrorism, information, communication and technology. However, there are no selected issues to be explored in greater depth by ASEM countries. Therefore, ASEM has difficulties focusing on selected issues and solving them in a comprehensive way. Third, ASEM has involved many actors in discussions and debates between Europe and Asia. They are heads of government and state, state officials, bureaucracies, scholars, researchers, NGOs, activists, and political parties. Therefore, it is difficult for ASEM to find the lowest common denominator and set common agendas that are satisfactory to all actors involved. Fourth, ASEM is very good at making common commitments and statements on paper. However, ASEM is still weak in implementing such commitments and statements. It is difficult therefore to see how progress might be made in the further development of ASEM. Fifth, ASEM has not had a permanent secretariat up until now. ASEM meetings are organised by governments from both regions based on a rotation period between ASEM member states as to where ASEM meetings will be held.

The impact of existing trans-regional cooperation on both parties

The current situation of ASEM is complex for European and Asian countries. I will examine the impact of this weak trans-regional cooperation for European and Asian countries. I argue that this relationship has several main consequences for each region. On the one hand, European countries are in a difficult situation because of the slow development within ASEM. Therefore, European countries try to find an innovative way to foster and respond to this situation. On the other hand, Asian countries are also in a difficult situation

³¹ ASEM (2010). *Brussels Declaration on more Effective Global Economic Governance: Toward More Effective Global Economic Governance*, 5 October 2010, Brussels, pp. 1-4. Available at http://www.asean.org/sites/default/files/ASEMper_cent208per_cent20-per_cent20Brusselsper_cent20Declarationper_cent20onper_cent20Moreper_cent20Effectiveper_cent20Globalper_cent20Economicper_cent20Governance.pdf, last accessed on 28 October 2010.

similar to their European counterparts. Additionally, Asian countries have complex and diverging views inside ASEM with regard to the discussion of human rights issues between Europe and Asia. Japan, South Korea and several ASEAN countries are happy to develop deeper cooperation - including human rights issues - within ASEM. However, China and the other Asian countries are happy to engage in deeper trans-regional cooperation, but mainly in the context of economic affairs. However, they are reluctant to be involved in human rights issues within ASEM because such an arrangement would have an adverse effect on their domestic political governance and would undermine their national sovereignty.

The impact of ASEM on Europe and Asia is positive in several respects. First, ASEM is a unique forum for all relevant actors in Europe and Asia who can meet, discuss and agree on some arrangements between both regions. ASEM can be a bridge between Europe and Asia to respond to and solve common problems. At the same time, ASEM can also be an alternative link for European and Asian countries in supporting multilateralism at the global level. Second, most Asian and European countries have their own bilateral and inter-regional relationships besides ASEM, such as the EU-ASEAN relationship, the EU-Japan relationship, and the EU-China relationship. ASEM is an alternative channel for European and Asian countries to talk about and discuss relevant issues. Moreover, Asian countries can expand their diplomatic ties with European countries, which may in turn raise their own profiles in international relations. Third, ASEM has involved various actors who participated from the beginning and were present at ASEM meetings. This is an example of the implementation of the principle of democracy in ASEM. There are many stakeholders from European and Asian regions who can participate in ASEM meetings. This situation also shows that the international community can give respect to European and Asian regions because of their achievement in building ASEM. Fourth, European countries have several important opportunities to build political and economic links with Asia. For example, European countries can expand their market economies, preserve their raw materials and obtain supplies from Asian countries for their industrial needs and develop deeper relationships with Asia to balance the US presence and influence in Asia. Moreover, Asian countries can have economic access - especially through trade in goods - to the European market. In fact, Europe is well known for its rigid and tight commercial rules and regulations. It can be fairly difficult for Asian countries to export their products because the EU has complex trade regulations to protect its economy.

However, ASEM can also be seen as having a negative impact on both European and Asian countries on several grounds. First, ASEM meetings have become a talking shop for European and Asian countries. This situation has arisen because European and Asian countries only talk and theoretically commit to various agendas and issues, but have real difficulty in implementing all the commitments which they have agreed to. Therefore, ASEM meetings are quite similar to talking shops for elites from Europe and Asia. Second, the development of ASEM has seen slow progress in all respects. There are existing problems in ASEM such as the lack of institutionalisation and the complex task of achieving a common position between European and Asian countries. This situation can lead to a sense of struggle for European and Asian countries because they do not feel that there is any relevant progress made in this trans-regional cooperation.

At the sixth ASEM meeting in Helsinki in September 2006, European and Asian countries evaluated their relationship, which had started in 1996. The result of their evaluation shows that there have been many dialogues and discussions over the ten years between European and Asian countries in ASEM. Their dialogues and discussions have shallow and rather general in nature. The European and Asian countries had not moved from mere information exchange to actual cooperative work. Therefore, ASEM is in a dilemma as to

what its real objectives are. ASEM has focused on political issues rather than on other issues, such as economic and socio-cultural matters³².

Are free trade agreements solutions or complex problems for ASEM?

In the economic relationship between Europe and Asia, ASEM can be used as a means by both continents to enhance the flow of trade and investment. Moreover, ASEM wanted to establish a new business network, friendly regulations and rules for European and Asian investors and firms and other economic initiatives. The economic policy-making framework in ASEM consists of several institutions, which involve various actors from the government and business sectors, such as the Senior Officials Meeting on Trade and Investment (SOMTI), the Meetings of Foreign and Economic Secretaries amongst ASEM countries and the Asia-Europe Business Forum. Interestingly, most ASEM commitments from these institutions have been implemented at the bilateral level amongst European and Asian countries. The policy-making framework is of low institutionalisation because it has only dealt with information sharing and exchanging and has not focused on substantive commercial issues.

In this section, I will examine how European and Asian countries can enhance their economic partnership in ASEM. European and Asian countries may improve their economic relationship by building a common flexible framework through ASEM. This flexible framework should be based on bilateral and inter-regional free trade initiatives amongst the EU and Asian countries. This framework would be flexible and complement the WTO multilateral trading system. More specifically, the EU and Asian countries may empower ASEM as a common institution to manage and monitor their free trade initiatives in order to avoid trade diversion and an overlap between bilateral and inter-regional trade initiatives, which may be counter-productive. This framework should cover trade in goods and services, investment and development. Moreover, it should also entail research into the social implications of these free trade initiatives for vulnerable ASEM countries. This framework should be implemented in partnership between ASEM and its member states.

Furthermore, economic activities data for the EU and Asian countries shows that there are potential economic opportunities for the EU and Asian countries based on trade in merchandise and foreign direct investment between these regions. The trade and investment trends show that the EU still has trade deficits against Asian countries (ASEM member states) in 2008 in merchandise trade. Interestingly, the EU invested a huge amount of capital and funds through foreign direct investment and stock in 2007-2008 in several important Asian countries (Japan, China and India). During the same period, the EU also received foreign direct investment and stock from the above Asian countries.

Based on the latest statistical data, the total value of the EU's exports in merchandise trade to Asian countries in 2008 was 237,360 Mio euro. However, the total value of the EU's imports in merchandise trade from Asian countries in 2008 was 474,138 Mio euro. Asian countries also accounted for 30.3 per cent of the total world value of imports to the EU. The EU accounted for 18.2 per cent of the total world value of exports to Asian countries. China was the largest supplier to the EU (247,655 Mio euro) in 2008. Afterwards, Japan (75,156 Mio euro) and South Korea (39,410 Mio euro) were in second and third position respectively as suppliers to the EU. The largest client of the EU exports was also China (78,474 Mio euro). Japan (42,410 Mio euro) and South Korea (25,660 Mio euro) were in second and third place respectively as clients of the EU's exports (see table 1).

³² Japan Centre for international Exchange and University of Helsinki Network for European Studies (2006), see note 15 above, pp. 7-8.

Table 1: The EU in merchandise trade with its main suppliers and clients in Asia (2008)

EU Imports From	Value Imports (Mio euro)	% World	Value Exports (Mio euro)	% World
China	247,655	15.9 %	78,474	6 %
Japan	75,156	4.8 %	42,410	3.2 %
South Korea	39,410	2.5 %	25,660	2.4 %
India	29,438	1.9 %	31,542	2.0 %
Malaysia	17,517	1,1 %	11,569	0.9 %
Thailand	17,449	1,1 %	8,472	0.6 %
Singapore	16,121	1 %	22,011	1.7 %
Indonesia	13,554	0.9 %	5,979	0.5 %
Vietnam	8,580	0.6 %	3,366	0.3 %
Philippines	5,361	0.3 %	3,753	0.3 %
Pakistan	3,631	0.2 %	3,753	0.3 %
Myanmar	185	0.0 %	105	0.0 %
Mongolia	69	0.0 %	202	0.0 %
Brunei	12	0.0 %	-	-
Laos	-	-	64	0.0 %
TOTAL	474,138	30.3 %	237,360	18.2 %

Source: DG Trade MP/CG Statistics of Eurostat³³

Moreover, the EU invested substantial foreign direct investment and stock in several important Asian countries in 2007-2008. For example, Japan received 5,521 millions of Euro of EU foreign direct investment in 2008 and 73,831 millions of Euro of EU stock in 2007. Second, China received 4,460 millions of Euro of EU foreign direct investment in 2008 and 38,444 millions of Euro of EU stock in 2007. Third, India received 852 millions of Euro of EU foreign direct investment in 2008 and 19,110 millions of Euro of EU stock in 2007. The EU also received foreign direct investment and foreign stock from Asian countries. First, Japan invested 3,538 millions of Euro of foreign direct investment in 2008 and 120,159 millions of Euro of its stock in 2007. Second, China invested 71 millions of Euro of foreign direct investment in 2008 and 4,579 millions of Euro of its stock in 2007. Third, India invested 2,380 millions of Euro of foreign direct investment in 2008 and 4,258 millions of Euro of its stock in 2007 (see table 2).

³³ European Commission (2008). *Top Trading Partners*, DG Trade MP/CG Statistics: Brussels, p. 3.

Table 2: Inflows and outflows of EU Foreign Direct Investment (FDI) 2007-2008

Country	Stock in 2007 (Mio euro)		FDI Flows in 2008 (Mio euro)	
	Inflows	Outflows	Inflows	Outflows
USA	1,029,813	1,043,377	44646	149,243
China	4,579	38,444	71	4,460
Japan	120,159	73,831	3,538	5,521
India	4,258	19,110	2,380	852
Russia	23,666	73,012	-444	21,586
Other	1,124,559	1,887,129	122,476	172,725
Extra EU 27	2,307,034	3,134,903	172,667	354,387

Source: DG TRADE-A2 / CG-MP Statistics³⁴

Based on the data above, the EU and Asian countries may improve their commercial relationship on the basis of trans-regionalism. Free trade agreements between the EU and Asian countries would be viable ideas that may be used to foster their existing economic relationship. Free trade agreements between the EU and Asian countries are huge economic opportunities if they can be realised by both regions. They may reach symbiotic economic co-operation, if the EU and Asian countries can manage and monitor well their bilateral and inter-regional trade initiatives through a common flexibility framework in ASEM.

The EU is now actively negotiating bilateral and inter-regional trade initiatives with Asian countries, for example the ongoing negotiations of free trade agreements between the EU and ASEAN member states, and the EU and India. However, the EU has only achieved one free trade agreement (based on the WTO-plus arrangement) with South Korea. This situation is caused by too high expectations and ambitions on the part of the EU with regard to its Asian partners in the context of the range and coverage of issues in their future free trade agreements. The EU would like to implement the WTO-plus arrangement. However, the majority of Asian countries may not fulfil the EU's expectations and ambitions in building future free trade agreements based on the WTO-plus arrangement. The main reason is that the WTO-plus arrangement will jeopardise the national industries and social life of their citizens.

It is suggested here that the EU and Asian countries may adjust and balance their level of expectations and ambitions by looking at the possibility of a free trade agreement based on trade in goods, investments and selected areas for trade in services. This kind of free trade agreement is more flexible and viable for the EU and Asian countries compared with the WTO-plus arrangement. Moreover, these free trade agreements between the EU and Asian countries should also consider, accommodate and include the development aims of developing and least developed countries on the Asian continent. However, if these free trade initiatives between the EU and Asian countries do not include the developmental

³⁴ European Commission (2009). *European Union in The World*, DG Trade-A2/ CG-MP Statistics: Brussels, p. 1.

aims of developing and least developed countries on the Asian continent, most Asian countries will suffer a negative impact from these future plans.

Free trade agreements between the EU and Asian countries may bring positive and negative impacts to ASEM countries, especially in the case of developing and least developed countries. With regard to the positive impacts, free trade agreements between the EU and Asian countries would improve the economic relationship between Europe and Asia, which has been neglected over the last ten years. In addition, free trade agreements would create a window of opportunity for the EU and Asian countries in terms of improving trade in goods and services, foreign direct investment, flows of capital and the reduction in tariffs/quotas.

However, free trade agreements may also have negative impacts for the EU and Asian countries, especially developing and least developed countries. Firstly, free trade agreements can create an asymmetrical relationship between the EU and Asian countries. The EU member states would get greater benefits compared with Asian countries. While Japan, China, South Korea, India, Singapore, Malaysia and Thailand would get some benefits from these free trade arrangements between the EU and Asian countries, the other Asian countries (the developing and least developed countries) might incur losses from these free trade arrangements. Secondly, many small and medium enterprises in Asian countries would lose out because they cannot compete with big European companies. Third, national industries in developing and least developed countries in Asia would collapse because of these free trade arrangements between the EU and Asian countries. Today, most developing and least developed countries in Asia still protect their national industries with regulations (tariffs and quotas) and facilities to some extent. However, when free trade agreements are implemented, these protections and facilities should be eliminated by Asian governments. This situation would be a disaster for the national industries of developing countries and least developed countries in Asia.

Fourth, many farmers and fishermen from developing and least developed countries in Asia cannot compete with European farmers. The argument is that Asian farmers would be losers following the signing of free trade agreements between the EU and Asian countries, because European farmers still receive significant subsidies and good protection from the EU through the Common Agricultural Policy and the complexity of the EU's trade and health regulations. On the other hand, Asian farmers do not get any support from their government. Fifth, many people might lose their jobs in Asian countries (especially in developing and least developed countries, such as Indonesia, Cambodia, the Philippines, Myanmar, Laos, and Pakistan) because they might be replaced by cheap workers from other ASEM countries.

Possible challenges and implications inherent to the development of free trade agreements

The free trade agreements between the EU and Asian countries might create several new challenges and implications for the EU and Asian countries. I will elaborate on the contemporary challenges that are faced by ASEM. I will divide these challenges into two categories, namely the challenges faced by European countries and the challenges faced by Asian countries.

In Europe, these challenges are as follows. First, the EU faces a complex dilemma as to what its collective interests in ASEM are. The diverging interests amongst EU member states with regard to the Asian continent are important. It is difficult for the EU to act as a single voice in its dealings with the Asian continent. The EU may be seen as a single actor when dealing with Asian countries in ASEM; however, each EU member state also tries to

create opportunities for itself by approaching each Asian country individually in order to get greater benefits from a bilateral relationship. Second, the EU has only signed one free trade agreement with an Asian country (South Korea) to date. The EU is still negotiating free trade initiatives with Asian countries, such as the EU-Singapore free trade agreement, the EU-Vietnam free trade agreement and the EU-India free trade agreement. These economic initiatives show that the EU does not want to be excluded from the emergence of bilateral and regional trade arrangements in the Asian region. The EU approaches Asian countries through two channels, namely ASEM and bilateral/inter-regional relationships. These various channels of economic cooperation may create an overlap between trans-regional and bilateral links. Therefore, an effective framework is needed to manage and monitor these various channels of cooperation in order to avoid counter-productive outcomes for the enhancement of the Europe-Asia relationship. Such outcomes may include trade diversion in the midst of these economic agreements, which may result in a competition amongst ASEM countries. There is a link between the third challenge and the first challenge above; namely that the EU also wants to preserve ASEM as it is because of the smaller political and economic implications and risks for the EU. The EU member states understand that it is difficult for the EU to act as a single actor. Therefore, most of the EU member states want to reduce their political and economic implications and risks through the ASEM framework.

Fourth, the division of labour amongst the EU institutions would be the next challenge when making and implementing EU policy towards ASEM. The Treaty of Lisbon has been ratified by all member states of the EU by November 2009. It introduces some institutional changes in the EU, notably with regard to the High Representative of the Union for Foreign Affairs and Security Policy and the new President of the European Council³⁵. Then, it lays down a distinct role and functions for the European Commission on the one hand and for the High Representative of the Union for Foreign Affairs and Security Policy on the other to deal with ASEM. The EU's High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission, Catherine Ashton, implied that her main task is to make the EU's voice unified and its role stronger at the global level³⁶. The new change should be consolidated by the EU in order to create harmony amongst its institutions. Fifth, the EU might have difficulty in adjusting to and being flexible with regard to its economic expectations and ambitions in order to meet with the economic ambition of Asian countries. This is in relation to the desirability for the EU and Asian countries to strengthen their economic partnership and to reform the ASEM policy-making system as agreed at the latest ASEM meeting in Brussels.

With regard to Asian countries, there are also some challenges, which are as follows. First, Asian countries have diverging interests, characteristics and histories. China, Japan and South Korea are competing amongst themselves in many aspects of life. They also have an unforgettable history, which needs to be resolved between themselves. This situation is the main challenge that they face at the present time. Therefore, ASEAN would serve as a focal point for these countries through which they might cooperate with each other. The second challenge links to the previous challenge: namely, the complexity of the regionalising process amongst Asian countries. Regionalism entails a huge challenge for Asian countries because they need to consolidate and coordinate very well in order to build a solid position for Asian countries in ASEM as a whole. Third, Asian countries want to maintain the *status quo* in ASEM. Most Asian leaders have little political or good will to

³⁵ European Union (2007). *Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community*, Brussels: Official Journal C 306, 17 December 2007, p 19, 23, 24. Available at http://bookshop.europa.eu/eubookshop/download.action?fileName=FXAC07306ENC_002.pdf&eubphfUId=534817&catalogNbr=FX-AC-07-306-EN-C, last accessed on 6 January 2010.

³⁶ Ashton, C. (2009). 'Quiet Diplomacy Will Get Our Voice Heard', *The Times*, United Kingdom, 17 December, p. 33.

change and thereby foster current trans-regional cooperation within ASEM. The rationale behind this situation is that most Asian countries differ in terms of their national interests and preferences. This pluralistic situation creates loose institutionalisation amongst Asian countries within ASEM. They are quite flexible in ASEM because they want to minimise legally binding agreements. Therefore, Asian countries also open to diplomatic opportunities by engaging in bilateral relationships with the EU in order to get more advantages if ASEM does not work properly. Although Asian countries have shown their desire to reform the ASEM policy-making system as mentioned at the latest ASEM summit, it will take time before it will be realised. Indeed, there is a hope that the EU and Asian countries will translate their desires into concrete actions.

Fourth, the Hanoi Declaration on a Closer ASEM Economic Partnership is a challenge for European and Asian countries as members of ASEM. Free trade agreements can pose a complex problem for ASEM countries, if EU countries do not include the developmental goals of Asian countries, especially in the case of developing and least developed countries. Free trade agreements between the EU and Asian countries should also include the developmental goals of Asian countries. Indeed, ASEM must also solve its non-economic obstacles amongst European and Asian countries, such as the case for democracy and the question of human rights. Fifth, Asian countries are at different levels of development, which can be divided into four categories: developed countries (such as Japan, Singapore, Brunei, South Korea, Australia and New Zealand), more advanced developing countries (such as China, India, Russia, Malaysia and Thailand), developing countries (such as Indonesia, Pakistan, the Philippines and Mongolia) and the least developed countries (such as Vietnam, Cambodia, Laos and Myanmar). These levels of development also show their capacities and abilities to respond to free trade agreements between the EU and Asian countries. Therefore, there is a huge possibility that the EU may gain favourably from future free trade agreements between the EU and Asian countries.

Sixth, there will be a competition amongst Asian countries in order to get advantages from special economic relations with the EU. The emergence of bilateral and inter-regional free trade agreements would entail complementary or competitive relationships amongst ASEM countries. It seems that these emerging free trade agreements might be in competition if all of them are not managed well by the EU and Asian countries. Therefore, ASEM should also establish a common flexible framework for managing and monitoring bilateral and inter-regional trade initiatives between EU and Asian countries. Furthermore, social implications could emerge in Europe and Asian countries especially in developing and least developed countries as a result of the emergence of their economic relations. European countries could be affected by capital flight. More specifically, there are some capital and investment movements from Europe to emerging Asian economies, such as China, South Korea, Vietnam, and India. EU industries could move their factories to these Asian nations because they have cheap labour and a politically stable economic situation. This would cause job losses in Europe. However, most European nations have social safety net programmes for their citizens, such as national health insurance, unemployment benefits, housing benefits and a pension programme.

Most of the social implications would emerge in Asian developing and least developed countries, as follows. Firstly, the poverty rate in developing and least developed countries in Asia might increase because of the negative impact of free trade agreements. For instance, the total number of people in a situation of poverty in Asia from 1990 to 2002 was 233 million people. The Asian continent is one of the continents that are also targeted by the United Nations as a region that should achieve Millennium Development Goals because of this situation³⁷. The number of poor people will increase, if farmers, fishermen

³⁷ Asian Development Bank (2006). *Regional Cooperation and Integration in Asia*, Office of Regional Economic Integration. Available at <http://www.ppiaf.org/documents/toolkits/Cross-Border-Infrastructure-Toolkit/Cross->

and labourers lose their jobs because they cannot compete with European farmers, fisherman, business people and professionals in the open and free market economy. In reality, the EU applies the Common Agricultural Policy to give subsidies and to protect its farmers. However, most Asian farmers and fishermen do not receive any subsidies or facilities from their government. Therefore, the level of playing field between them is very different and the gap between the two is too great. Secondly, a number of small, micro and medium enterprises in Asian developing and least developed countries may decrease because they cannot sustain and compete with hypermarkets from Europe. Most national industries from Asian developing and least developed countries may also collapse because they cannot compete with other Asian countries' industries and also the EU industries at the same time. Thirdly, there is a possibility that the amount of migration would increase because of this uncertainty. The raised number of people in poverty could push people to move to another area in order to get a better life and a better job. Fourthly, it is impossible to ignore the amount of social unrest that may arise in developing and least developed countries in Asia because of all the above circumstances.

Conclusion

The contemporary trans-regional cooperation between Europe and Asia (ASEM) has been quite dynamic in recent years. ASEM can be categorised as trans-regional cooperation based on the existing literature. I have explained that the development of ASEM has been based on political and security dimensions, rather than economic and socio-cultural dimensions since its inception. Recently, there has been a need to enhance and foster the economic relationship between Europe and Asia through the ASEM framework. There are potential economic opportunities that need to be explored by both regions. Those economic opportunities are trade in goods and services, as well as foreign direct investment. However, ASEM has faced obstacles in recent years, such as the lack of institutions and a lack of focus on specific issues.

European and Asian countries have agreed to improve their economic relationship as mentioned in the Hanoi Declaration on a Closer ASEM Economic Partnership in 2004. They might translate it into future bilateral and inter-regional trade initiatives between the EU and Asian countries. The future role of ASEM will prepare and establish a common flexible framework in terms of managing and monitoring these initiatives in an effective way. Moreover, this flexible framework will also include the study of the possible social implications of these trade initiatives. This proposal might be a solution in responding to the existing economic ties within ASEM.

The EU has only achieved one free trade agreement with South Korea. This is due to the different levels of economic expectation and ambition between the EU and Asian countries. The possible trade initiatives between EU and Asian countries might be based on trade in goods, investments and selected areas for trade in services. Moreover, these trade initiatives can be a complex problem for ASEM countries, especially for developing and least developed countries on the Asian continent. Therefore, these trade initiatives between the EU and Asian countries should accommodate and include the developmental goals of developing and least developed countries from Asia. There is a possibility that free trade agreements between the EU and Asian countries would create asymmetrical economic linkages between both parties. It would be like a double-edged sword. For example, on the one hand, the EU might be a winner from the economic relationship. On

the other hand, some Asian countries might be losers because they are not ready to compete with other Asian partners and the EU at the same time.

There are some challenges which are faced by the EU and Asian countries. The EU faces several challenges. First, there is the difficulty for the EU to act as a united actor towards the Asian continent. Second, there will be an overlap amongst existing bilateral and inter-regional trade initiatives if there is not a trans-regional common flexible framework to manage and monitor these trade initiatives within both regions. Third, there is no clear strategy on the part of the EU in its approach to ASEM. Fourth, there is no clear division of labour within the EU institutions for effectively handling foreign and external policies towards Asia. We still have to wait for the EU to achieve coherence and cohesiveness in its implementation of foreign and external policies in accordance with the Treaty of Lisbon. Fifth, the EU might have difficulty in adjusting its economic ambitions in its dealings with Asian countries. Therefore, the EU must be able to act in a flexible manner in order to strengthen its economic cooperation.

Asian countries also face several challenges. First, there are divergent histories, characteristics and interests amongst Asian countries, especially in their trilateral relationships with Japan, China and South Korea. Second, the union of Asian countries is still far off because of the complexity of the regionalising process amongst Asian countries. Third, Asian countries have showed their desire to reform the ASEM's policy-making system. However, most Asian countries prefer to preserve the *status quo* in ASEM. Therefore, it will take time to translate their desires into real actions. Fourth, these trade initiatives can be a complex problem for vulnerable Asian countries, if the EU does not accommodate the developmental goals of developing and least developed countries in Asia. Fifth, there are many typologies of Asian countries based on their levels of development from developed countries to least developed countries. Their different levels of development are an important matter. Sixth, most Asian countries may compete to achieve bilateral and inter-regional trade initiatives with the EU if ASEM does not establish a common flexible framework to manage and monitor these trade initiatives. This framework will also include the relevant studies on the social implications of these trade initiatives for ASEM countries. The detailed study of a common flexible framework in ASEM is an important area for future research.

Finally, economic relations between Europe and Asia may have social implications in European and Asian countries, especially for Asian developing and least developed countries. Capital and investment can shift from Europe to Asia, which would entail the closure of a number of factories in the EU. European labour might lose jobs because of this situation. However, most European nations have social protection programmes, such as the social safety net programme for their citizens. Ironically, most of the social consequences might happen in Asian developing and least developed countries, as follows. First, the total number of people in a situation of poverty might well increase because many farmers, fishermen and labourers would lose their jobs. Second, the amount of small, micro and medium enterprises could collapse because they would not be able to compete with huge hypermarkets. Additionally, most national industries in Asian developing and least developed countries would not be able to survive for long because of their inability to compete with advanced Asian industries and also with the EU's industries. Third, all of the above might force migrants from Asian developing and least developed countries to move to other Asian or European countries. Fourth, the amount of social unrest could well increase in Asian developing and least developed countries.

References

- Aggarwal, V. and Fogarty, E. (2004). *European Union Trade Strategies: Between Globalism and Regionalism*. Basingstoke: Palgrave Macmillan.
- ASEM (1996). *ASEM 1: Chairman's Statement of the First ASEM Meeting*. Available at http://www.aseminfoboard.org/content/documents/chairmans_statement_asem_1.pdf, last accessed on 19 November 2010.
- ASEM II (1998). *Second Asia-Europe Meeting, Chairman's Statement*, London. Available at http://www.aseminfoboard.org/content/documents/chairmans_statement_asem_2.pdf, last accessed on 19 November 2010.
- ASEM (2000). *Chairman's Statement of the Third ASEM Meeting*, 20-21 October in Seoul. Available at http://www.aseminfoboard.org/content/documents/chairmans_statement_asem_3.pdf, last accessed on 19 November 2010.
- ASEM (2002). *Chairman's Statement of the Fourth ASEM Meeting*, 22-24 September 2002, Copenhagen. Available at http://www.aseminfoboard.org/content/documents/chairmans_statement_asem_4.pdf, last accessed on 19 November 2010.
- ASEM (2004). *Chairman's Statement*, 8-9 October, Hanoi. Available at http://www.aseminfoboard.org/content/documents/chairmans_statement_asem_5.pdf, last accessed on 19 November 2010.
- ASEM (2004). *Hanoi Declaration on Closer ASEM Economic Partnership*, 8-9 October 2004, Hanoi. Available at <http://www.mofa.go.jp/policy/economy/asem/asem5/economy.html>, last accessed on 3 November 2010.
- ASEM 6 (2006). *Chairman's Statement of the Sixth ASEM Meeting*, Helsinki. Available at http://www.asem6.fi/NEWS_AND_DOCUMENTS/EN_GB/1157980831578/FILES/75889445627169087/DEFAULT/CHAIRMAN_S_STATEMENT.PDF, last accessed on 19 November 2010.
- ASEM (2008). *ASEM 7: Chairman's Statement of the Seventh ASEM Meeting*, Beijing. Available at http://www.aseminfoboard.org/content/documents/ASEM7_Chair-Statement.pdf, last accessed on 19 November 2010.
- ASEM (2010). *ASEM 8: Chair's Statement and Brussels Declaration*, 4-5 October 2010, Brussels. Available at <http://www.asem8.be/sites/default/files/ASEM%208%20Chair%27s%20Statement.pdf>, last accessed on 28 October 2010.
- ASEM (2010). *Brussels Declaration on more Effective Global Economic Governance: Toward More Effective Global Economic Governance*, 5 October 2010, Brussels. Available at <http://www.asem8.be/sites/default/files/ASEM%208%20-%20Brussels%20Declaration%20on%20More%20Effective%20Global%20Economic%20Governance.pdf>, last accessed on 28 October 2010.
- ASEM (2010). 'Presentation', ASEM VIII: Brussels. Available at <http://www.asem8.be/presentation>, last accessed on 3 November 2010.
- Asian Development Bank (2006) *Regional Cooperation and Integration in Asia*, Office of Regional Economic Integration. Available at: <http://www.ppiaf.org>, last accessed on 6 January 2010.
- Asthon, C. (2009) 'Quiet Diplomacy Will Get Our Voice Heard', *The Times*, United Kingdom, 17 December.
- Breslin, S., Higgott, R. and Rosamond, B. (2002). 'Regions in Comparative Perspective' in S. Breslin, C.W. Hughes, N. Phillips and B. Rosamond. *New Regionalism in the Global Political Economy*. London: Routledge.
- Camroux, D. (2006). *The Rise and Decline of the Asia-Europe Meeting (ASEM): Asymmetric Bilateralism and the Limitations of Interregionalism*. Centre d'études européennes: Cahiers Européens.

- Dent, C.M. (1997). 'Economic Relations between the EU and East Asia: Past, Present and Future', *Intereconomics*, January/February, pp. 7-13.
- Dent, C.M. (2005). 'The New Economic Bilateralism in South-east Asia: Region-Convergent or Region Divergent?', *International Relations of the Asia-Pacific*, 6 (1), pp. 81-111.
- European Commission (1994). *Towards a New Asia Strategy*, Brussels, 13 July 1994. Available at http://europa.eu/legislation_summaries/external_relations/relations_with_third_countries/asia/r14202_en.htm, last accessed on 10 November 2010.
- European Commission (2008). *Top Trading Partners*. DG Trade MP/CG Statistics: Brussels.
- European Commission (2009). *European Union in The World*. DG Trade-A2/ CG-MP Statistics: Brussels.
- European Commission (2010). 'The EU pushes links with ASEAN in Economic Ministers Meeting', Brussels: The European Commission. Available at <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1073&format=HTML&aged=0&language=EN&guiLanguage=en>, last accessed on 3 November 2010.
- European Union (2007). *Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community*, Brussels: Official Journal C 306, 17 December 2007. Available at http://bookshop.europa.eu/eubookshop/download.action?fileName=FXAC07306ENC_002.pdf&eubphfUid=534817&catalogNbr=FX-AC-07-306-EN-C, last accessed on 6 January 2010.
- Gilson, J. (2004). 'Weaving a New Silk Road: Europe Meets Asia', in V. Aggarwal and E. Fogarty. *EU Trade Strategies: Between Regionalism and Globalism*. Basingstoke: Palgrave Macmillan.
- Hettne, B. and Soderbaum, F. (2000). 'Theorising the Rise of Regionness', *New Political Economy*, 5.
- Hilaire, A. and Yang, Y. (2003). *The United States and New Regionalism/Bilateralism*, IMF Working Paper, WP/03/206. Available at <http://www.imf.org/external/pubs/ft/wp/2003/wp03206.pdf>, last accessed on 28 October 2010.
- Holland, M. (2002). *The European Union and The Third World*. New York: Palgrave.
- Japan Centre for international Exchange and University of Helsinki Network for European Studies (2006). *ASEM in its Tenth Year Looking Back and Looking Forward: An Evaluation of ASEM in its First Decade and an Exploration of its Future Possibilities*. Helsinki, March 2006.
- Kettunen, E. (2004). *Regionalism and the Geography of Trade Policies in EU-ASEAN Trade*, Helsinki: Helsinki School of Economics.
- Mayne, R. (2005). *Regionalism, Bilateralism, and "TRIP Plus" Agreements: The Threat to Developing Countries*. Occasional Paper no 2005/18, Human Development Report Office. Available at http://hdr.undp.org/en/reports/global/hdr2005/papers/HDR2005_Mayne_Ruth_18.pdf, last accessed on 10 November 2010.
- Ministry of Foreign Affairs and Trade Republic of Korea (2000). *Asia-Europe Meeting*, 19-21 October, Seoul. Available at <http://www.mofat.go.kr/english/regions/intorganization/asem/index.jsp>, last accessed on 19 November 2010.
- Rüland, J. (2002a). 'Inter- and Trans-regionalism: Remarks on the State of the Art of a New Research Agenda'. National Europe Centre Paper No. 35, Workshop on 'Asia-Pacific Studies in Australia and Europe: A Research Agenda for the Future', Australian National University (July).
- Rüland, J. (2002b). *The European Union as an Inter and Trans-regional Actor: Lessons for Global Governance From Europe's Relations with Asia*, National Europe Centre Paper, No.13, paper presented at the conference on 'The EU in International Affairs', 3-4 July 2002, National Europe Centre, Australian National University.

Viner, J. (1950). *Custom Union Issue*. London: Stevens & Sons Limited for the Carnegie Endowment for International Peace.

Wilkinson, R. (2005). 'The World Trade Organization and the Regulation of International Trade', in D. Kelly and W. Grant. *The Politics of International Trade in the Twenty-First Century*. Basingstoke: Palgrave Macmillan.
