

## Asylum and Immigration: EU Adopts Hague Programme

by John Quigley

The prospect of a common asylum and immigration system across the EU is much closer following the European Council meeting chaired by the Netherlands in November. Although concern has been expressed about harmonising EU action only at the basic minimum level, the numerous proposals relating to the external dimension of the EU's justice and home affairs policy, with regard to asylum and immigration, have received less attention.

Since the adoption of the Tampere Programme in 1999, the EU has sought to address more adequately the deficiencies clearly evident in implementing a European-wide immigration and asylum system. The results from Tampere are generally seen to be mixed but, nevertheless, represent a platform from which the EU25 can build upon with the new five-year Hague Programme, adopted on 4<sup>th</sup>-5<sup>th</sup> November, in Brussels, under the Dutch Presidency of the Council. The Programme will deal with all policies in what is now called freedom, justice and security including the external dimension of fundamental rights, citizenship, asylum and migration, border management and integration.

Traditionally, justice and home affairs was a policy area exclusively the competence of the EU Member States. Increasingly, governments have realised that the nature of international migration, either for asylum seekers, refugees, or economic migration, requires a co-ordinated and cross-border response. Under the terms of the Hague Programme, the EU will launch a common EU asylum and immigration system but, regrettably, leaves many of the details to be worked out over the next 5 years.

At the Brussels European Council in November, EU Heads of State and Government said it was "time for a new agenda" to face new challenges. With respect to the external dimension of the EU's policies for asylum and immigration, the Hague Programme identifies

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several areas where partnerships with third countries will be required. These include “improving third countries capacity for migration management and refugee protection, combating illegal immigration, building border capacity and tackling the problem of return”. For some of these areas, the EU already has programmes of co-operation up and running including ARGO, an administrative co-operation project in the fields of external borders, visas, asylum and immigration, which has been running since 2002. AENEAS, a programme for financial and technical assistance to third countries on migration and asylum is in force since March 2004 and the European Refugee Fund for 2005-2010, which includes projects on integration and voluntary return, was adopted by the Council on 2<sup>nd</sup> December.

For other priorities, the European Commission is planning to develop the idea, first proposed in a Communication in June, of Regional Protection Programmes. In conjunction with the UN High Commission for Refugees, the Regional Protection Programmes (RPP) will have the aim of “enhancing protection capacity” in third countries and of ensuring that migrants arriving in the EU do so “in an orderly and managed manner”. This means that asylum seekers and migrants in third countries would be received, processed and integrated in regions of origin rather than necessarily coming to the EU. RPP’s also address issues of resettlement, which could be in the EU, although the EU offers much less places than either Canada or the United States, and issues of return, both voluntary and forced. Eventually RPP’s will be integrated into the Commission’s Regional and Country Strategy Papers, instruments that govern Community relations with developing countries.

In the early years of the 21<sup>st</sup> Century, the EU aspires to be an actor on the global stage through its common foreign and security policy. With global reach comes global responsibilities. Through its initiatives in conflict prevention and resolution, the EU can affect conditions in third countries before they precipitate the movement of migrants. This was recognised in the EU Security Strategy, which referred to failed and failing States, for example, Afghanistan or the Balkans, countries which were the source of many thousands of refugees, regionally and subsequently in the EU. Europe’s partners in Asia, through the Asia-Europe Meeting (ASEM) recognise the need for better co-operation in the field of international migration.

In response to the demands from several Member States, the European Council has requested a study on the feasibility of processing asylum applications outside EU territory. This dubious idea was proposed by the United Kingdom and Germany, amongst others. In many cases, countries of final transit before entering the EU are countries with poor records of good governance and may have very poor human rights

records. Establishing centres in such an environment, if not legally questionable, is certainly morally repugnant, especially at a time when the EU is seeking to promote its internal values abroad, values of human rights, the rule of law and democracy. The Commission recognised this when it suggested that international protection measures might fail if migration control is left to non-democratic governments, without adequate technical training or supervision.

Instead of farming out responsibility for the EU’s asylum and immigration system, Europe’s leaders might be better suited to answering the call from the developing world for a fair and efficient system of legal migration. It is evident that for many years the asylum system was clogged with applications from those trying to claim refugee status when they were clearly economic migrants. Justice and Home Affairs Ministers recognised the value of legal immigrants during their meeting in mid November saying they contributed to making stronger economies, promote social cohesion, increase security and develop cultural diversity. The Hague Programme calls on the Commission to present a “policy plan on legal migration”. This plan should be able to “respond promptly to fluctuating demands for migrant labour”. The Commission is expected to launch this long overdue debate in early 2005.

Inevitably, the success, or otherwise, of European-wide programmes come down to funding and annual budget priorities. Given the scope of the proposed co-operation with third countries, it would be preferable if the money required was additional and did not come from existing budget lines devoted to development co-operation. Unfortunately, the Hague Programme does not address this at all. The worry, expressed by the Parliament in November, is that there will be no new money and that without additional resources, “it will not be possible to carry out the Hague Programme”.

Only a co-ordinated response to the European Council proposals will suffice, from justice and home affairs to CFSP to trade policy to development co-operation. In the first half of 2005, responsibility for developing the Hague Programme rests with the Luxembourg Presidency. The foreign minister, Jean Asselborn, said recently the goals of the EU on the global stage are to create a stable and prosperous world”. Resolving Europe’s asylum and immigration concerns demands that the EU link development policy objectives to the problems faced by third countries. Making a success of the Hague Programme could do more to ensure Europe’s security and earn respect in the eyes of the developing world than our faltering commitments to the Millennium Development Goal targets. If swift implementation of the Programme in consultation with third countries is not forthcoming, the EU will end up in 2010 with an asylum and immigration system merely addressing the needs of the late 20<sup>th</sup> Century. ■

## Relief work in Afghanistan needs long-term commitment

by Fraser Mackay

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Bibi Gul, was 17 years old, married and living in central Afghanistan when we first met her. Born into the large family of a farmer she experienced every year the pangs of hunger as their food stocks ran out 6 or 8 weeks before harvest. The family coped by mortgaging a field to a local moneylender to get cash to buy some food in the bazaar – but there was never enough and their diet and health suffered accordingly. Bibi Gul married a local farmer and runs the family home, tends the animals in the fields, helps with other farming chores and fetches water from the stream 2km away. Her first son died within a week of his birth.

Her husband's fields also do not produce enough food to last until harvest, so they borrow from moneylenders just to survive. Food in the bazaar comes from the nearest city – 50km along a rough, pitted track which clings precariously to the hillside, where trucks regularly fall down the sides of ravines into the river below with loss of property and often loss of life.

Meeting her now, Bibi Gul talks of changes in her life. Improved wheat seed and fertiliser packages have brought enough food for the family's needs with some left to sell in the bazaar. That meant they were able to pay off their accumulated debts and now her husband plans to use the surplus to buy livestock. The local basic veterinary worker will be asked to vaccinate them, preserving the value of the animals. Bibi Gul has learned tailoring skills and now earns some money sewing clothes for others. She buys the materials using microfinance provided through the women's resource centre that has opened locally and through that centre she has also gained basic literacy and numeracy skills.

Her second birth was attended by an Afghanaid trained traditional birth attendant. Bibi Gul is also applying the basic health education messages that she has received. She recently planted a kitchen garden with carrots, cabbage, okra, onion and leek amongst other crops. That is already broadening the family's diet leading to better nutrition and better overall health. Goods coming to the bazaar arrive faster along a smooth road which is far safer than the old one and survives the annual floods, so goods are cheaper and lives are not lost.

Bibi Gul is just one of well over 500,000 women, children and men living with poverty that Afghanaid works with in rural Afghanistan each year. Afghanaid is a UK-based NGO which has worked with rural Afghan communities since 1983. We currently have 3 expatriate staff and over 300 Afghan staff. We work in Badakhshan, Nuristan, Ghor and Samangan provinces.

Many of those we work with have been refugees or internally displaced persons (IDPs) whilst our work has enabled others to remain in their villages rather than leaving the area.

The Afghanaid programme takes an integrated approach to rural development. It is broad reaching, covering village-level institution building, agriculture, animal health, basic health education, women's resource centres, child development, microfinance, community infrastructure and access to markets. The components of the programme have synergies which produce enhanced benefits compared to a series of one-off sectoral initiatives.

### **Security**

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For many Afghans, security remains significant. They look forward to a time when local militia are disbanded; the army and police have been properly trained and properly paid; and when the judiciary system is effective. Right now they see little evidence of any of this. Afghan staff of NGOs face these issues in their day to day life. They also live in an environment where 30 aid workers were killed in the last year in Afghanistan; where many people misunderstand their role and others misrepresent it. Several areas of the country are no longer accessible to NGOs – even where they have often worked for a couple of decades or more.

### **Poppies**

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For many people in the west, Afghanistan is synonymous with poppies. The country's economy is heavily impacted by opium and the export affects every country in Europe through the cost of addiction. The Afghan government are seriously alarmed by the implications of the opium trade which depends on insecurity within Afghanistan and brings with it human rights abuse and violence. Foreign governments recognise that situation and themselves wish to see the absence of opiates from their own communities.

NGOs recognise the pressure for short-term successes and progress, but are clear: there is no quick fix. Observers, such as the World Bank, argue strongly that every effort should be made to strengthen the Afghan economy before eradication measures are introduced. Adequate time is vital for the authorities to introduce alternative credit arrangements and for effective livelihoods and interdiction programmes to take root and succeed.

If eradication goes ahead, it will be difficult for the poorest poppy growers to quickly find alternatives to opium production in their home areas, particularly if they are heavily in debt to opium traders. Consequently family members may be sent to Pakistan or Iran in search of work and many will gravitate to the urban



areas of Afghanistan which already bear a severe burden in terms of these IDP groups. Cash for work programmes may provide short-term income-earning opportunities to offset losses caused by eradication measures but they do not provide sustainable alternatives to opium nor do they substantially reduce migratory flows or high levels of debt. Targeted long-term investment is required to achieve sustainable livelihoods, both on and off-farm. Donors need to prioritise alternative livelihoods and interdiction in their support to Afghanistan.

If eradication measures are not preceded by substantial steps to increase both agricultural and off-farm economic opportunities, not only are eradication successes likely to be short-lived but livelihood options would be severely curtailed and any progress made on alternative livelihoods may be lost. For interdiction to succeed requires security and effective police and judicial systems. It is also important that strategies should not solely address supply issues but also international demand.

### ***Co-ordination***

I would like to see better co-ordination between donors. Alternative livelihoods programmes take time to have maximum impact. Sustainable development requires investment of money, effort and time to bring communities to a place where they are able to take full control of the development issues in their area and where positive change in the local economy is seen by communities as creating an environment in which the switch away from poppy is effective. Yet donors are, on the whole, moving away from such an approach to one which is sectoral and short-term. Targets set in contracts are often solely cost-based and ignore development aspects of the work. (For example, water programmes where the criteria are more about the number of wells and the number of metres sunk than issues of future maintenance of the well and whether its position reflects the needs of women.) If the Livelihoods approach is indeed the best solution, as NGOs would argue, then all donors need to take this into their thinking and plan to have multi-year funding.

The government too will find benefit in encouraging integrated development by co-ordinating across national programmes and ministries to have a common and integrated approach. This linkage of ministries, donors, NGOs and the private sector could have a significant impact in many areas of the country.

### ***Pressures***

NGOs are under intense pressure in Afghanistan. Staff face security risks every day. The government and donor community recognise that NGOs represent a major pool of skilled resources yet do little to maintain this pool and avoid its dissipation. (A real risk where

qualified doctors drive embassy cars because they earn three times more salary). Afghans want to see tangible results from the government and donor community and are frustrated by delays. Some of this is an unreasonable expectation of the speed of change. Some is justified. Either way the NGO sector comes under regular attack in the media and elsewhere.

There are of course things that need to change. There is a need for legislation which clarifies the role and responsibilities of NGOs and which creates a new category of operation into which to transfer the 'local NGOs' which were set up to act as implementers for the UN system and are really businesses. Where local people have seen heads of some of these 'NGOs' becoming wealthy this has damaged the reputation of all NGOs. NGOs have developed a code of conduct and it is hoped that this, combined with legislation, will make clear the important and effective work which 'good NGOs' do. We need to work with the government, media and others to increase transparency and accountability; no longer reporting just to donors but ensuring that the people of Afghanistan are fully informed about our work and our achievements. It is only ways such as these that we can avoid the situation in which NGOs provide a useful scapegoat in an exercise of blame-shifting.

### ***Hope for the future***

I hope that we can get beyond some of the present challenges to a position where donors, government and NGOs are working together for the benefit of Afghanistan. Afghanaid has been supporting Afghan communities for over 20 years. Afghanaid is there 'for the long haul.' The challenge to the international community is that they too should state clearly their long term commitment and demonstrate that through reliable, long term funding that addresses the reality of poverty in Afghanistan. ■

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# Mining Safety in China: A good case for international engagement

by Fred Higgs

The world can no longer be in any doubt about the importance of China in the global economy. The world media is devoting considerable space to the analysis of the likely direction and pace of political and economic developments in China. The assessment in a recent edition of *EurAsia Bulletin* 'China engages Asia: A new regional order' also clearly underlines the importance that China increasingly plays as a dominant interlocutor within Asia.

China, as is the case with other rapidly developing countries, is also faced with a range of problems that all too frequently accompany such rapid development. One of the most profound challenges facing the Chinese government is the parlous state of safety and health in the mining sector. News reports about miners killed and trapped in coal-mines clearly demonstrate a need for high-level Chinese government attention to be devoted to this issue. Official government statistics reflect a terrible reality in the coal-mines: figures released in June 2004 show that over 6,000 miners died in 2003. An expert at the Chinese Mining University estimates a national rate of 12 fatalities per million tons of coal. By 30<sup>th</sup> October 2004, some 4,153 mine workers had lost their lives since January.

Against this background and following a visit by me and other ICEM representatives to China in 2002, that the ICEM approached the International Council of Mining and Metals (ICMM – the industry association representing the world's mining companies) and the International Labour Organisation (ILO) to discuss the possibility of a joint initiative aimed at helping the Chinese government to address the problems it faces in its mining sector. Two principles were agreed at an early stage; (1) that the ILO as a tripartite agency of the UN representing governments, employers and workers was the appropriate organisation to help facilitate the initiative (2) that it would be crucial for the Chinese government to be actively involved in, and supportive of, the initiative from the very beginning. Thus, the ICEM wrote to the Chinese authorities and the All-China Federation of Trade Unions (ACFTU) during the course of 2004 regarding the proposed initiative to which we quickly received a positive response. Nonetheless, the parties to the proposed initiative were, from the outset, under no illusions about the difficulties that might arise during the development and subsequent implementation of any initiative.

A major motivation for the ICEM is the tradition of solidarity – especially strong amongst mine workers – that is grounded on the belief that an injury to one is an

injury to all. From the perspective of the ICEM, the rationale and philosophy underpinning the initiative has a number of strands. Firstly, there was the humanitarian goal of trying to help reduce the injury rate and loss of life in a huge and increasingly important mining sector in the world. Secondly, the ICEM's long-standing principle of engagement with companies and governments in the pursuit of the highest possible standards of health and safety. A third concern was based on the recognition that a number of western-based mining companies were increasingly likely to be involved in the Chinese mining sector. It was therefore important for them to be seen to adhere to safety and health standards at least as high as those that apply in the best run mines in the West. Fourthly, and just as importantly, the ICEM felt that by acting in co-operation with the mining industry, the ILO and the Chinese authorities, it could make a material difference in terms of improved health and safety performance.

The Memorandum of Understanding (MoU) reached at the conclusion of the joint meeting held in Beijing at the beginning of December 2004 represents the first agreement of its kind covering labour issues to be signed between the Chinese authorities, the ILO and the representative organisations of both mining companies and mine workers internationally.

With this MoU, the ICEM feels that all parties have moved an important step forward in establishing the principles and ground rules on which to proceed. The next step will be for the ICEM, ICMM and ILO to discuss the logistics of putting together a well-balanced team of experts to make a return visit to China to undertake, with the co-operation of the Chinese authorities, an analysis of needs. Once this has been completed, the experts will identify measures designed to assist with capacity-building in risk assessment and risk management techniques and practices; capacity-building on gas and dust management and control in coal and non-coal mines; development and implementation of a safety culture throughout the Chinese mining industry; training of workplace safety representatives as designated by ACFTU; and the introduction of safety equipment and technology.

At this stage it will be necessary to identify the necessary funding to be able to give full effect to the programme of activities and assistance. If all goes well, the ICEM envisages a programme of activities stretching over a period of about three years. The ICEM recognises that we can only hope to succeed if all parties to the MoU are prepared to play their part. There can be no certainties, but the possibility of our being able to make a real difference to the accident rate and loss of human life make the effort worthwhile. ■

Fred Higgs is General Secretary, International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM), which is based in Brussels.



# Tripartite Meeting on Mine Safety and Health

(Beijing, 30<sup>th</sup> November to 1<sup>st</sup> December 2004)

## Memorandum of Understanding

A meeting between representatives of: the China Enterprise Confederation, the China National Coal Association, the International Confederation of Chemical, Energy, Mine and General Workers' Unions, the International Council on Mining and Metals, the International Labour Office, the National Energy and Chemical Workers' Union of China, and the State Administration of Work Safety, a representative of the Chinese Government, was held in Beijing from 30 November to 1 December 2004.

The participants acknowledged the importance of further improving safety and health performance in Chinese mines, with an initial focus on large and medium-sized coal mines. The Chinese participants welcomed the possibility of appropriate technical co-operation and appreciated the long-standing support of the ILO and looked forward to continued support in the area of mine safety and health, both from the ILO and from the other international organisations. The participants further acknowledged the benefits of a tripartite approach, involving representatives of government, employers and workers, to achieving a sustained improvement in safety and health performance in Chinese mines.

The participants agreed to proceed further, along the following lines, to explore the feasibility of developing and implementing technical co-operation activities in safety and health in the Chinese mining industry, including but not limited to:

- Identifying specific topics for consideration following joint discussions on the principal mine safety issues;
- Capacity building in risk assessment and risk management techniques and practices;
- Capacity building in gas and dust management and control in both coal and non-coal mines;
- Developing and implementing a safety culture throughout the mining industry;
- Training workplace safety representatives designated by the trade union; and
- Safety equipment and technology.

The participants agreed that the co-operation could include but not be limited to:

- Exchange of information and materials;
- Seminars/workshops;
- Exchange visits of relevant experts and officials;
- Co-operation projects, including pilot projects in one or more mines.
- Training.

The participants agreed to propose concrete activities involving two or more of them for consideration among those concerned within six months, and to develop and implement them on the basis of mutual agreement between the parties concerned. Information on any activities would be circulated among all the organisations represented at the meeting. Unless specifically agreed otherwise, each of the international participating organisations engaged in any activity resulting from the outcome of the meeting agreed to pay its own expenses.

The participants agreed that activities identified as a result of the meeting would be subject to the availability of duly authorised and appropriated funds. In this regard, they agreed to collaborate in seeking funds for agreed programmes.

Signed in Beijing, in English and Chinese, on 1<sup>st</sup> December 2004.

For the China Enterprise Confederation  
For the China National Coal Association  
For the International Confederation of Chemical, Energy, Mine and General Workers' Unions  
For the International Council on Mining and Metals  
For the International Labour Office  
For the National Energy and Chemical Workers' Union of China  
For the State Administration of Work Safety

## EIB development loans not engaging Asia fully

by John Quigley

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In the absence of clear political guidance, Asia appears to be losing out on a possible source of development loans from the EU. Lending by the European Investment Bank (EIB) follows a mandate adopted by the European Council and seems to favour the EU's traditional external development policy concerns. Thus, lending to Asia operates under a different mandate than lending to Africa, which enjoys loans targeting development projects. A review underway in the European Parliament could offer an opportunity to Asia to press its claim for equality of treatment. A revision of the EIB's mandate seems to be supported by EIB President Philippe Maystadt.

Taking account of the differing political priorities the EU attaches to development co-operation, Africa, through the Cotonou Partnership Agreement, enjoys access to lending from the European Investment Bank, an institution originally designed for internal EU loans. In 2004, lending to countries in Africa, including South Africa amounted to €550m. In contrast, lending to Asia will be an estimated €25m.

While EU lending policies for Africa and Asia can not be compared in principle, the contrast in general is startling. Loans to Africa take place in development terms with the goal of eradicating poverty. Loans to Asia take place under the requirement of 'economic interest' with the added obligation of 'mutual interest' for the EU and the country concerned. In practice, the EIB chooses to interpret this, for Asia, in a broad sense identifying regional integration and protection of the environment as key goals.

In 2004, the Bank only signed one project for Asia. In December, with the Development Bank of the Philippines, the EIB agreed to finance loans to industry that support the health and urban development sectors, commercial infrastructure, tourism and services such as leasing and microfinance. Just one year after signing a Framework Agreement for Financial Co-operation, the Bank began negotiations with the government of Laos in November, on the construction of a hydro-electric plant to export power to Thailand. With the prospect of "improving considerably the economic outlook" of Laos by generating substantial revenue, the project has a proposed EIB contribution of €40m.

In the European Parliament, a German United Left MEP, Ms Gabriele Zimmer, is writing a report on the impact of EIB lending in developing countries. She expressed the hope that EIB lending could be utilised

by developing countries to help them meet the targets set in the Millennium Development Goals. EIB President, Philippe Maystadt, told members of the Development Committee, with respect to changes to the Bank's lending mandate, that the EU Member States will have to address the restriction of only lending at markets rates and not concessional rates, as is favoured by the International Monetary Fund. If the EU is to make an efficient contribution to development then "it must co-ordinate the instruments at its disposal". This would mean "combining EIB loans with the various EU budget subsidies", he said.

However, it can not be just a question of transferring an African style mandate onto Asia. The African mandate has evolved through three Partnership Agreements with the EU and lending operates through an Investment Facility. The Facility has €2.2bn available between 2003 and 2008 to finance projects in the ACP. In 2004, the EIB will lend an estimated €440m in Africa, mainly through the Facility. It is suggested that the Facility operates under several conditions that may not be conducive to efficient lending for the countries concerned including being self-supporting, targeting the private sector and lending at market rates.

Equally, countries in Asia that have not drawn down EIB funds are often those with poor records on good governance or who may not have sufficient market economy experience. Conditions that may be common to African and Asia developing countries in this context include inadequate technical assistance and insufficient resources for capacity building. The EIB is addressing this in Africa by opening three regional offices in 2005, something similar could be undertaken in Asia, if the mandate was to be reviewed.

Speaking to *EurAsia Bulletin*, a representative of the EIB in Brussels suggested that in light of the small amount of money available, the Bank must choose to focus on large-scale long-term projects and fund operations that other international institutions may not. Although the Bank does not lend to Asia in any way comparable to Africa, one advantage to countries in Asia securing EIB loans is that international investors will be drawn to stable markets and governments with the expertise to manage the loan portfolio.

EIB typically funds projects ranging from energy, industry, telecoms, environment, SMEs and transport. Eligible countries in Asia include eight of the ASEAN countries, five of SAARC countries and others including China, Macao, Mongolia, South Korea and Yemen. Any change in the lending mandate for Asia would require a political decision from EU leaders at the European Council. The debate in Parliament is a very early stage. The non-legislative report is only yet under discussion in the Development Committee and will lead in the coming months to a Resolution. ■

## **Asylum, Immigration, Justice and Home Affairs**

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### *Common European asylum system*

The European Parliament adopted an own-initiative report, on 15<sup>th</sup> December, on the EU's asylum procedures and protection in regions of origin. This follows a European Commission Communication on "A more efficient common European asylum system: the single procedure as the next step". Criticising lengthy application and processing procedures for asylum cases, Parliament calls on the EU to ensure more timely processing through a "fair, efficient and prompt" system. Following the decision by the Council in April 2004 to adopt a Directive on minimum standards for application procedures, Parliament condemns this compromise as the "lowest common denominator" of Member States' systems.

Through the principle of solidarity between Member States and the objective of fair burden sharing, Parliament suggests that the EU should consider an appropriate resettlement system, which should include adequate prospects for integration. Here, Parliament sees a role for the UN High Commission for Refugees in facilitating the transfer of refugees from the country of application to the new host Member State, without them "falling victim to illegal immigration or human trafficking". The integration process should be two-way between the refugee/asylum seeker and the host society.

Where applicants for asylum are rejected and the individuals returned to their country of origin or transit, Parliament proposes that the EU should establish a programme to monitor their situation and events in the country.

## **Trade**

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### *EU-China customs agreement*

Ahead of the EU-China Summit, held on 8<sup>th</sup> December, the Council of Ministers adopted a Decision, on 16<sup>th</sup> November, on the conclusion of an Agreement between the European Community and the People's Republic of China on co-operation and mutual administrative assistance in customs matters. The Agreement, which seeks to promote co-operation between administrative authorities, had been under negotiation since 1997. In particular, the Agreement identifies infringement of intellectual property rights, accurate assessment of customs duties and the rules of origin and tariff classification, as the most important elements. Within a framework of better communication between authorities and more effective co-ordination, the Agreement provides for transfer of technical assistance, including the exchange of personnel,

training and identification of passenger and cargo processing methods. The Agreement establishes a Joint Customs Co-operation Committee to administer the terms of the accord, under the chairmanship of the Commission. Its mandate also includes the requirement to report to the Joint Commission that was created through the 1985 EU-China Trade and Economic Co-operation Agreement.

## **Political and Institutional Relations**

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### *Nepal troika visit*

Between 13<sup>th</sup>-15<sup>th</sup> December, a troika delegation from the EU visited Nepal to assess the general political situation and the Maoist insurgency. The delegation, led by a representative of the Dutch Presidency of the EU Council, met with the Nepalese Prime Minister, Sher Bahdur Deuba. Calling the present situation "clearly unsustainable", the troika suggested the EU could offer support for promoting multi-party dialogue, protection of human rights and dialogue between the government and the Maoist rebels. If the Communist Party of Nepal (Maoist) CPN(M) is to be recognised as "a legitimate political actor" the statement says, it must renounce violence. The Maoists are responsible for killing an estimated 10,000 people since 1996, in their efforts to overthrow the constitutional monarchy and establish a Marxist State.

Human rights abuses are taking place on both the Maoist and government sides, with Amnesty International criticising the increasing number of rights violations by the army and of disappearances. The troika pledges to raise this issue at the forthcoming session of the UN Commission on Human Rights, that is due to take place in Geneva in March-April 2005. The EU expresses concern that the deteriorating political and security situation makes it impossible to implement development co-operation programmes. As a result of the Maoist take-over of large parts of Western Nepal, there is a growing number of internally displaced persons. The troika raised this with the Nepalese authorities and the EU's humanitarian aid office, ECHO, will open a permanent office in Nepal in 2005. The delegation made no reference in its Statement to Nepal's other ongoing crisis situation, the estimated 104,000 refugees from Bhutan, currently housed in seven camps in Eastern Nepal for the last 14 years. The EU's humanitarian aid office, ECHO, lists the refugee situation as a "forgotten crisis". Parliamentary elections are overdue and are unlikely to be held in the current political and security climate.

### *Bhopal 1984 disaster*

Twenty years after the incident, the European Parliament adopted a Resolution, on 16<sup>th</sup> December, calling for an independent inquiry to the situation in Bhopal today, following the 1984 toxic gas release that



killed more than 7000 people immediately and an estimated 15-30,000 people since then. Although the American company responsible, the Union Carbide Corporation and its Indian subsidiary Union Carbide India Limited, reached a settlement with the government of India in 1989 for US\$470m in compensation, by July 2004, the Supreme Court had to order the government to release payments to victims. Parliament is calling for an inquiry to be held under the auspices of the UN Commission on Human Rights to examine the long-term effects of the disaster, the contamination of ground-water and the environment. Both the plant managers and the local Madhya Pradesh government are deemed accountable for the poor security systems and lack of standards in place in 1984. Parliament also foresees a role for the EU, calling on the European Commission to examine how the EU could help with the decontamination of the plant site and ensure access to safe drinking water.

## **Security and Defence Policy**

### *EU3 and Iran*

The negotiations begun by three EU Member States, France, Germany and the United Kingdom with Iran, to seek a suspension of Tehran's uranium enrichment and reprocessing, were addressed in the two European Council meetings held under the Dutch Presidency. In early November and mid December in Brussels, EU Heads of State and Government promised to resume discussions on a Trade and Co-operation Agreement with Iran under certain conditions. Primarily, the EU is concerned that Iran is pursuing nuclear technology for military means. In addition to this concern, EU leaders have established several benchmarks for Iran to address before co-operation on political and economic matters would be deepened. These include co-operation in the fight against terrorism, improvements in human rights and "Iran's approach to the Middle East peace process".

In a Resolution adopted on 17<sup>th</sup> November concerning the results of the November European Council meeting, the European Parliament offered its support to the efforts by France, Germany and the UK to ensure that Tehran's nuclear programme complies with IAEA standards. However, the Parliament clearly linked future EU-Iran ties in the political dimension, to "real progress and improvements" in the human rights situation. Although Parliament does not have any formal power in foreign policy issues, it has the ability to withhold its assent to any Trade and Co-operation Agreement the Council may enter into with the Iranians. A similar Agreement with Pakistan was delayed in Parliament, following the Musharraf take-over and general elections that the EU described as flawed.

Progress with the EU-Iran Trade and Co-operation Agreement seems likely following the agreement signed in Paris on 15<sup>th</sup> November, between the EU3 and the Iranian Ambassador Pirooz Hosseini. In the Paris agreement, Iran committed itself to full co-operation and transparency with the Vienna-based International Atomic Energy Agency (IAEA) and stated that "it does not and will not seek to acquire nuclear weapons". On a voluntary basis, Iran agreed to suspend enrichment and reprocessing activities, although all parties accepted that the confidence building measure was "not a legal obligation". As part of the agreement, the EU3 promised EU support for the opening of accession talks for Iran at the World Trade Organisation.

## **External Assistance and Development**

### *Humanitarian aid*

*China:* On 18<sup>th</sup> November, the European Commission adopted a Decision granting just under €2m in aid for the victims of the 2004 floods in the Chongqing, Hunan and Guangxi provinces. Responding to floods in Southern China, the European Community Humanitarian Aid Office (ECHO) aid will provide sanitation and hygiene facilities to specific villages in the affected provinces, in particular, those villages with ethnic minorities. The aid will fund projects to conduct health surveys, rehabilitation of water supply systems and sanitation facilities, training for officials and improve disaster preparedness. The aid will be available over a period of 12 months and will be dispersed through the Red Cross.

*Thailand-Burma:* On 16<sup>th</sup> December, the Commission adopted a Decision allocating €11.65m in assistance to the vulnerable population in Burma and the Burmese refugees along the Burma-Thai border. Providing relief to an estimated 600,000 refugees and internally displaced persons, who may be discriminated against for ethnic or religious reasons, the EU aid will be divided up with €6.8m for refugees along the border and €4.75m for those deemed vulnerable inside Burma. Through international NGO's, the ECHO aid, over a period of 18 months, will target food and nutrition, health, water and sanitation and protection assistance.

### *Human rights in third countries*

On 16<sup>th</sup> December, the European Parliament adopted a Resolution, under the consultation procedure, approving the European Commission's proposal for a Council Regulation on the implementation of Community co-operation policy with third countries in the field of democracy, the rule of law, human rights and fundamental freedoms. This amends a 1999 Council Regulation to extend its validity beyond December 2004 and provide financing of €134m for the period January 2005 to December 2006. ■

## EU-Indonesia relations: Stability and Prosperity in South-East Asia

by John Quigley

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The European Institute for Asian Studies (EIAS) and the European Policy Centre (EPC), on 8<sup>th</sup> November, hosted a round table on “EU-Indonesia relations: Stability and Prosperity in South-East Asia” with a high-level delegation from Indonesia. The meeting was chaired by Dr Willem van der Geest, Director, EIAS, and Dr Axel Berkofsky, Senior Policy Analyst, EPC.

H.E. Wiryono Sastrohandoyo, Centre for Strategic and International Studies, Jakarta, said the delegation was visiting Europe to raise the profile of Indonesia following its successful parliamentary and local elections in April and Presidential elections in October. Indonesia welcomed the EU’s Election Observation Mission, headed by the British Socialist MEP, Glyn Ford, and took account of the EU’s comment on the outcome of the elections. As a country in transition, Indonesia can not claim to be a stable and mature democracy, a process that may take two or more elections. Although there may be setbacks, the EU must try to understand the process underway in Indonesia and place the problems we face in their proper context.

One of the goals of the new government is to strengthen democracy by improving Indonesia’s economy. Since the 1997 financial crisis in Asia and the 13% contraction suffered in 1998, Indonesia has never really fully recovered in economic terms. Although gross domestic product (GDP) grew by 4.8% in 2004 and is expected to reach 5.5% in 2005, Indonesia needs a growth rate of some 7% annually to ensure that the number of young people reaching working age can enter the workforce, rather than the unemployment list.

While the economy is growing as a result of government policies, this is occurring more through exports rather than investment. There are pressing security and domestic policy concerns that the government must address in order to create a positive climate for foreign investment. The four richest provinces of Indonesia include Aceh, which contributes 14% to GDP, Riau at 13%, East Kalimantan 11% and Papua an estimated 13%. With regard to Aceh, some 70% of locally derived revenue remains with the local government, whereas 30% is forwarded to the central government. Unfortunately, there are still some problems with corruption but, overall, Indonesia is trying to move from a crony-based system to good governance.

The government wants to reduce the influence of the military and improve participation by civil society, move from a controlled media to a free press and from a State-planned economy to the free market. The extent of self-financing by the military, currently estimated at 70%, needs to be sharply reduced and the government seems intent on bringing in a law to curtail their role in commercial ventures, within five years.

The message from the European Union is that Indonesia must put its house in order. If Jakarta is once again to lead the integration process in South-East Asia, then the government will have to introduce an export and foreign direct investment strategy to boost economic growth. After 1997, some of the more advanced Association of South-East Asian Nations (ASEAN) economies were weakened and countries including Singapore and Malaysia sought bilateral trade agreements, rather than pursue multilateral strategies. It seems the EU would like regional integration in South-East Asia to speed up but it is not clear that ASEAN is ready yet. Although we can learn from the experiences of the EU, ASEAN is currently more of a co-operation-based group.

The series of elections over 2004 shows Indonesia is serious about democracy. The West has expressed concern about whether Islam and democracy can co-exist and whether Muslims risk being radicalised. Our elections demonstrate that co-operation is possible and that more than 70% of the population support the policy of accommodation. Equally, in Malaysia, the radical Muslim party lost votes in their parliamentary election. In Indonesia, the Crescent Star Party and the United Democratic Party also lost votes. This situation should be compared to Pakistan, where the government is considered to be unduly pro-Western and some Muslim parties promote fundamentalism in response. By pursuing a balanced policy including addressing the root causes of poverty, the Indonesian government has been able to crackdown on terrorists without alienating decent Muslims.

Nevertheless, there are still some human rights problems in Indonesia, H.E. Wiryono said, including residual problems from Timor. There are issues arising in Aceh also, which, as a conflict situation, will invariably suffer human rights abuses. Although tension is reduced, the government is committed to resolving peacefully the ongoing conflict. Part of the problem arises in the military, which can be separated into those trained in the West and may be well educated and others, who fall under domestic generals may be more hawkish. Therefore, continued international contact on a military-to-military basis is essential.

Mr Frans Winarta, Member of the Governing Board of the National Law Commission, noted that, at



independence in 1945, Indonesia introduced a rule of law system which was only subsequently subverted into authoritarianism. In 1998, the *reformasi* sought to revert to the democratic style of society and end the role of the military in government. Today, the military no longer has a role in the People's Consultative Assembly and it is planned, by 2009, not in Parliament. The reforms started under President Wahid and continued under President Megawati and, today, Indonesia is committed to the supremacy of civilian rule over that of the armed forces.

### Questions and Answers

Dr Axel Berkofsky, EPC, mentioned the progress Indonesia was making in the transition from a crony-based system to one founded on law and order. However, what new initiatives would the newly elected President undertake that were different from Mrs Megawati. Would the military background of the new President, Mr Susilo Bambang Yudhoyono, have any effects on the consolidation of civilian rule? What is the role of the independent press in keeping a check on the government? Vincent Depaigne, External Relations, European Commission, said the EU in general had a positive and constructive image of the changes underway in Indonesia. However, President Susilo took office on 20<sup>th</sup> September 2004 without the participation of the House of Representatives. The designated head of the Indonesian armed forces, the TNI, is not thought to be favourable to Western ideas and the judicial climate for investment seems harsh. What could the new government do in its first 100 days in office to re-assure the EU about its intentions and, conversely, what could the EU do to help accelerate the process of democratic change.

Klaus Schreiner, NGO Forum for Indonesian Development (INFID), said that while the military was no longer part of the political process in formal terms, how does the new government expect to be able to control the military's activities when they generate most of their income from non-government sources. Dr Willem van der Geest, EIAS, recalled that in the April parliamentary election, the Islamic Party in Jakarta did comparatively well but did not sustain this performance in the Presidential election. What distinctions can be drawn between voters in Jakarta and the rest of Indonesia and does the change in the electoral fortunes of the Prosperous Justice Party (PKS) reflect any transformation of voter fragmentation. H.E. C. R. Jayasinghe, Embassy of Sri Lanka, said the important challenges facing the incoming government was integrating the growing number of young people into the labour force and encouraging foreign investment by strengthening the rule of law. In turn, how will the government implement pro-poor economic policies that help promote growth and reduce poverty?

### The Speakers in Reply

H.E. Wiryono Sastrohandoyo said in reply that the transition in Indonesia would not be easy. Dark forces inside the country had the potential to derail the progress achieved to date. The government was determined to combat 'corruption, collusion and nepotism (KKN)' and open up its activities to scrutiny, even if the new President is a former army general. The plight of the House of Representatives is worrying and the fragmentation of the political system, from five to eight parties, could demonstrate a weakness in the coalition system of government. Nevertheless, the move from an authoritarian to a democratically accountable government is clear. With over 70% of the Parliament newly elected, it will take time to improve their performance.

In demographic terms, the growth in the number of young people seeking entry to the labour force makes it hard to adequately integrate them all, especially when a significant proportion of government expenditure goes in debt servicing payments and maintaining Indonesia's regional governments. With a safer security environment and economic reforms, foreign investment will return to Indonesia. The government has already begun tackling corruption, with some 200 local councillors arrested, but eradicating 32 years of cronyism will take time.

Mr Frans Winarta said the issue of human rights in Indonesia was complex. Former President Megawati had established human rights tribunals but these had only limited success. In general, awareness by the judiciary seems to be low and the absence of political will to address rights violations did not help. Alongside improved judicial training and police reform, the government will have to tackle rampant corruption.

Another member of the Delegation, Ms Yuli Ismartono, Executive Editor of Tempo Magazine, said government control of military resources is key. A new law to end the military's involvement in illegal commercial activities, such as logging, has been drafted. Ms Shanti Poesposetjipto, CEO, *Praweda Ciptakarsa Informatika & Soedarpo Informatika Group*, said the whole structure of the government was under-funded. Many individual government ministries have too close links with business with, for example, the issuing of driving licences in the hands of a private company. The military has indicated that they are willing to relinquish their commercial activity if they receive proper funding from the government. Mr Fu'ad Jabali, Lecturer, State Islamic University, said that voters were not attracted to Islamic parties, *per se*, but rather to those parties promising good governance and an end to corruption. Voters do not want to establish an Islamic State but want an accountable and transparent government. ■



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# The outcomes of the Hanoi ASEM V Summit

by John Quigley

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The fifth Summit at heads of government level of the Asia-Europe Meeting (ASEM) took place in Hanoi, Vietnam, on 8<sup>th</sup>-9<sup>th</sup> October 2004. The European Institute for Asian Studies (EIAS), on 9<sup>th</sup> November, brought together H.E. Phan Thuy Thanh, Embassy of Vietnam, H.E. Dato Deva Mohd Ridzam, Embassy of Malaysia and Geoffrey Barratt, ASEM Counsellor, European Commission to present and analyse the results of the fifth Summit since 1996. The meeting was chaired by Dr Willem van der Geest, Director, EIAS. Below, *EurAsia Bulletin* presents the analyses of the two Excellencies, followed by a summary of the presentation of Mr Barratt and the question and answer session that followed.

## The Hanoi ASEM V Summit: A view from Vietnam

by H.E. Phan Thuy Thanh

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The theme of the Hanoi ASEM V Summit was towards a partnership that is more lively and effective. Exchanges between Europe and Asia have existed for several decades but the new relationship between the two partners, based on mutual respect, legal frameworks and reciprocal advantages for the two continents has only been defined with the birth of the process, in 1996, that we call the Asia-Europe Meeting (ASEM). A more effective relationship will overcome the challenges and diverging opinions towards co-operation in a framework during a time of rapid and complex regional and global change, even if ASEM faces a series of challenges.

The relationship must become more effective in economic terms if ASEM is going to maximise the potential of the two continents, in commercial terms. The existing dialogue is limited to discussions on political issues and does not yet encompass plans of action or concrete proposals for meeting specific objectives. The accession of thirteen new Member States to ASEM should improve the opportunity for co-operation between Europe and Asia but also requires support for the less developed members. In these terms, the members of ASEM wish to develop the relationship between Asia and Europe, not least to exploit the huge potential of the two continents as they face together the challenges of globalisation.

Discussions in the closed working groups focussed on several issues. With regard to international relations and global challenges, participants had a frank exchange of views on several important issues including condemning and eradicating terrorism, promoting peace, co-operation and development. Terrorism, in all its forms, is a serious threat to global peace and security. Terrorism must be fought according to the terms of the Charter of the United Nations and the provisions of international law. Non-proliferation of weapons of mass destruction was discussed and the working groups suggested that co-operation in ASEM could be deepened in this sector. Further co-operation was suggested in the area of HIV/AIDS and on international immigration. Finally, participants mentioned the need to reform the UN, including the General Assembly and the UN Security Council to make the latter more representative, transparent and responsible to the UN.

A second theme discussed in the working groups looked at improving the economic links between Asia and Europe in the context of globalisation. Participants pledged to develop economic ties through a new level of integrated co-operation. This would include promoting co-operation through access to trade and investment, co-operating more closely on requirements in regional markets, increasing co-operation in common fields such as technology and communication, intellectual property and for small and medium sized enterprises. Mention was also made of the need to ensure a balance between economic development and the goal of protecting the environment. The Summit declared that both continents wished to trade in an open and equal multilateral framework and will seek to co-ordinate through ASEM to address issues in the WTO to help make the Doha Development Round a success.

A third theme examined culture and identity within the context of globalisation. As you may be aware, the Summit adopted a Declaration on dialogue between cultures and civilisations. We believe that cultural diversity is a heritage for all peoples and, therefore, it is essential to improve respect between cultures without pre-judging each other. The working groups rejected discrimination between differing ideas of cultural values or norms and suggested that dialogue should continue within the framework of United Nations Educational, Scientific and Cultural Organisation (UNESCO).

A fourth theme highlighted regional issues of concern. The Summit welcomed the enlargement of the European Union and the increased efforts by the Association of South-East Asian Nations (ASEAN) to establish an ASEAN Community by 2020, through the Bali II Accord. Co-operation with China, Japan and Korea was also discussed in the framework of relations with ASEAN plus three. This includes the



hope that there will be a peaceful resolution to the crisis on the Korean peninsula and a de-nuclearisation of the situation. Participants discussed the Middle East, the situation in Iraq and Myanmar (Burma). The working group was informed by Heads of Delegations of recent events in Myanmar and requested the authorities to ensure co-operation for the success of the process of national reconciliation.

## **Future of ASEM**

The Summit addressed the question of the future of ASEM including turning ASEM into a mechanism for more profound co-operation, through equality and mutual respect and on building a partnership between Asia and Europe, for the 21<sup>st</sup> Century on common principles and objectives. The Summit adopted a recommendation for the future working methods of ASEM including addressing improving its operation to make it more effective. The Summit stressed the need to intensify co-operation through concrete objectives and plans of action. Participants will be encouraged to engage in ASEM at a higher level and to develop links based on three principles; consolidate political dialogue, improve economic co-operation and, lastly, to promote new forms of co-operation.

## **Conclusion**

In conclusion, I wish to present the more important results from the fifth Summit. Firstly, the Summit was the first occasion when ASEM could bring together 38 countries that represent 2.3bn people, which equates to 40% of the global population and 50% of worldwide production. Secondly, the discussions between Europe and Asia took place in an open and frank atmosphere. Even though the participants come from different countries, each with their own history, level of development, political system, outlook and priorities, the Summit showed that all participants recognise the importance of co-operation between Asia and Europe and the need to make this co-operation more effective and profound.

Thirdly, The ASEM V Chairman's Statement, the Declaration on dialogue between culture and civilisations, the Hanoi Declaration on Closer Partnership and, for the first time, a document focussed on the economy, demonstrate that the member governments want to develop a more effective and vibrant relationship in order to meet the needs of their citizens. Fourthly, the Summit adopted nine initiatives in the field of economics, investment, trade, education, technology, culture, society and training. Fifthly, the various participants understood more clearly the need to enhance the working methods of ASEM in order to improve its efficiency and scope. Sixthly, the Summit was accompanied by a large range of activities on the sidelines including a forum for parliamentarians, a forum for unions, a film festival and a forum for young

people to meet each other. This shows that ASEM is not just about official government-to-government contact but includes also the people-to-people dimension. Lastly, the Summit provided an opportunity for a significant number of bilateral meetings and Vietnam had the honour to host the Summit in a constructive atmosphere and amidst total security. ■

This translation of H.E. Phan Thuy Thanh's presentation from the original French was prepared by *EurAsia Bulletin*.

## **The Hanoi ASEM V Summit**

by Dato' Deva Mohd. Ridzam

These remarks should not be construed as a Malaysian, let alone Asian, perspective of ASEM 5. Nor are they an evaluation of ASEM 5. They are intended more in the interest of transparency as well as to elicit greater public and civil society support for building and moving forward the ASEM process.

These remarks are more a personal appreciation of ASEM 5 after attending three ASEM summits to-date. ASEM 5 provided an opportunity for sober reflection. One thing is clear: the ASEM process has not yet fulfilled the promise, which many saw in 1996. ASEM is still a young and nascent process. Too often the purpose and goals and long-term benefits of ASEM are forgotten. Too quickly people forget the big picture. To provide some context, it is useful to begin with what ASEM 5 meant for Vietnam in particular and Asia in general – the *significance* of ASEM 5.

## **Showcasing**

ASEM 5 was an opportunity *for Vietnam* to showcase itself. It did extremely well by portraying a lively, if not a bustling, Hanoi – a microcosm, as it were, of a vibrant Vietnamese economy and a united, stable country. Exposure of EU Leaders to Asia is important. Leaders often tend to be influenced or be informed by images provided by the media. ASEM 5 enabled European Leaders a first-hand look and feel of the dynamics of a rapidly changing Asia and to meet with the accession to power of new generation of leaders in Asia.

What Leaders saw in Hanoi was a fast changing Vietnam - Ho Chi Minh 'Topees' and re-cycled rubber tyre sandals have long gone and in their place a growing consumer society - even Broadband Internet connections at leading hotels. One has just to imagine had there been no ASEM, reasons for Leaders from Asia and Europe coming together, co-operating and understanding each other, may not have been there. Leaders today are more pre-occupied with domestic



matters and those of their respective regions that bilateral visits are not as frequent as they once were. Commissioner Chris Patten was spot on when he once observed that “ASEM is worthwhile just for the bilaterals and if one gets anything from ASEM, it will be a plus.” (Not an exact quote).

### ***How the times have changed!***

It was the third time that Asia has played host to an ASEM Summit and the second time in an ASEAN capital – successfully held on all three occasions. It was the first major gathering of leaders from Europe in Asia since the 1997-98 financial crisis. The Summit took place at the time when *Asia* is back where it was in 1996 (the political mood is upbeat and the economies vibrant). *Europe*, on the other, is once again in a mood of introspection (with lack lustre economic growth and preoccupied with internal developments within Europe and in its neighbourhood).

While there was talk, if not euphoria, about the so-called ‘East Asian Miracle’ at the time of ASEM 1 in Bangkok in 1996, ASEM 5 projected East Asia as “*the growth centre of the world*” to quote Mr Gyoten. (Chairman of the ASEM Task Force on Closer Economic Partnership between Asia and Europe in his speech to ASEM Leaders in Hanoi). It was an open secret in Hanoi that a number of Leaders came to Hanoi with more than one agenda in hand and ASEM 5 was just one of them. There was ‘business’ to be made and ‘deals’ to be struck, not to mention other strategic stuff quite unrelated to the ASEM agenda. ASEM 5 enabled Leaders to come to know each other better at close range in an informal atmosphere to exchange ideas, opinions and perspectives that are so essential to understanding the respective regions and global developments.

### ***First summit of an enlarged ASEM***

The fact that ASEM 5 actually took place is in itself *a major outcome*. ASEM 5 will go down in history as the first Summit of an enlarged ASEM of 39 partners including the 10 new EU members plus Cambodia, Laos and Myanmar (Burma).

ASEM 5 was particularly notable in the sense that the *dialogue was re-established*. This is particularly important as discussion shifted away from Myanmar, a subject that has plagued ASEM over the last four years at the expense of tangible progress being made in ASEM. Had the Hanoi Summit not taken place, ASEM would truly have been ‘dead in the water’ after languishing in the previous 4 years. There was indeed genuine relief all round that the process was back on track. This is understandable given the fact that there had been various developments in the run-up to the Summit that threatened the holding of ASEM 5.

In the end, it was Asian solidarity, including Vietnamese diplomacy, not to mention delicate backstage moves by the Dutch Presidency that finally brought sobriety to the whole discussion over the Myanmar imbroglio. Rumours had it that even the known handful few European hardliners finally came down heavily on the UK on the issue of Myanmar’s entry into ASEM. Had ASEM 5 not taken place, the new EU members would have had to wait until at least 2006 before they would again be considered for membership in ASEM. In the meantime, the EU-25 would continue to be seen as not ‘legitimate’ enough in the context of ASEM. This would have created an unusual – indeed an unprecedented – situation for the EU. What would that have meant for EU’s ‘visibility’ and ‘credibility’?

### ***The Future of ASEM***

Another significant outcome of ASEM 5 was that Leaders were able to exchange views on a new topic “The Future of ASEM”. There were suggestions regarding a possible second wave of ASEM enlargement to include some countries in the Indian Sub-continent, the Oceania and EurAsia given that Romania and Bulgaria would join the EU over the next few years. Many countries favoured *consolidation and deepening* of the ASEM process while a handful few wanted *widening* to include countries that have long expressed desire to join ASEM. There was some concern that widening of membership would pose challenges to the efficiency and the workings of ASEM and should this happen, it would require more radical reforms.

There were also views expressed that the immediate concern ought to be to absorb the new 13 partners into ASEM and not further dilute the ASEM process by hasty expansion. Also, while ASEM has expanded to 39, some of the older members have yet to show maturity that must accompany the relationship created. Given this what is the point in expanding membership of ASEM? Discussion also moved on to the related issue of ‘institutionalisation’: the question is how to deal with a forum of 39 partners which may easily grow to become a forum of some 50-odd partners.

Many felt that ASEM had not deepened enough in terms of substance to warrant institutionalisation as it would amount to building castles in the air. There were also those who felt that the issues involved in the political and economic pillars cannot be delegated to a secretariat because of their sensitive nature. The financial implications as well as the legal basis and controllability of a secretariat were other concerns. For the European partners, the question of secretariat is not an urgent or important issue as European positions on ASEM are co-ordinated by the European Commission and Council. The Asian side gave assurances that an appropriate mechanism would be found to improve



Asian co-ordination, particularly when ASEM+3 have, in recent years, been developing its own internal coherence. Leaders assigned those tasks to their Foreign Ministers who are scheduled to meet in Kyoto, Japan in May 2005. Their findings would be submitted to ASEM 6 in Helsinki in 2006 for consideration.

### ***A lost opportunity to move the Process forward***

Apart from being the first Summit of an enlarged ASEM and the fact that dialogue was re-established, in terms of concrete outcomes, there is very little that ASEM 5 had achieved. ASEM 5 failed to seize opportunity to achieve closer economic relations between Asia and Europe. At ASEM 4 in Copenhagen in 2002, Leaders agreed that the key mission of ASEM 5 in Hanoi would be to “revitalise and substantiate” Asia–Europe dialogue and relations. However, owing to the short-sighted, unilateral decision by European partners to cancel meetings of ASEM Finance and Economic Ministers’ scheduled for July and September this year in Brussels and Rotterdam respectively, the Hanoi Summit was not able to address how the ASEM process could be ‘revitalised and substantiated’. Ministers’ setting aside instructions of Leaders is a very serious matter, to say the least. Their action did not in any way lend itself to enhancing the credibility of the ASEM process. Leaders in Hanoi were therefore unable to consider the Report and Recommendations of the Task Force on Closer Economic Partnership (CEP). In fact, the findings and proposals were completely brushed aside even if a few of them may be perceived as ambitious. But, the Task Force members cannot be faulted for thinking from out of the box. ASEM 5 therefore was an opportunity lost to move the ASEM process forward from dialogue to concrete co-operation.

### ***Poor European participation***

The other obvious disappointment was participation on the European side, especially on the part of the new EU-10. Asians, on the other hand, were present in full force. This raises the question whether it is difficult for Leaders to meet once every two years. Only three out of ten Leaders from the new EU members were in Hanoi. As for the EU-15, a big chunk of Europe (UK, Italy and Spain) was also not represented at Heads of State/Government level. As a result, more than 1/3rd of European population was not represented at Leaders’ level.

What does it say for their absence and what does it mean for ASEM? Was it all due to domestic problems in some of these countries or was it due to their lack of waning interest in Asia? This is a very important matter because *ASEM is a Leaders-driven process*. Furthermore, no one seriously listens to Deputies.

Some Leaders tend to switch off when they hear Deputies/Representatives speak. Given the level of overall participation, what kind of outcome could one have expected, particularly when less than 50% on one side were absent. The EU ought to do some serious thinking about this. Some creative ways must be found to instil ASEM consciousness on the European side. Poor participation is not the way to improve EU visibility and credibility. The European partners have to learn to live up to commitments, as they cannot be taken lightly.

### ***Challenges at hand***

There are challenges that *need fresh thinking* on the part of both Asian and European partners. The first is dialogue versus co-operation. The Commission in particular and some, not all, European partners seem to vehemently oppose to ASEM undertaking any co-operative activities at the ASEM level. They maintain that ASEM is merely a *forum for dialogue and policy co-ordination and nothing more*, insisting that bilateral and inter-regional approaches and programmes already exist to deliver co-operative activities.

Most Asian partners, on the other, feel that ASEM does have specific trans-regional contexts and needs and therefore merit its own co-operative mode. The Asian side generally favours ASEM moving from dialogue to project-based co-operation (not development assistance); if not, at least to have a mix of dialogue and substantive project-based co-operation. The time has come for ASEM to move forward by embarking on practical and project-oriented objectives. Of course, in doing so, both regions should agree that we proceed with caution and care with a clear appreciation of what may be possible and practical. Bilateral, inter-regional and pan-EurAsian co-operation ought not to be viewed as manoeuvres in a zero-sum game with winners and losers. With co-operation at all levels (bilateral, inter-regional and pan-EurAsian/ASEM), we would all be winners. Even members of the ASEM Task Force in their report urged partners to move away from dialogue to co-operation. They highlighted *the need to move from talk to action*.

The second challenge evokes problems internal to both regions. Both Asia and Europe have also to improve their respective internal co-ordination if there is to be better dialogue and co-operation between both regions. In the EU, a jurisdictional clash between the Commission and Member States could complicate, delay or even undermine co-operation with third countries. Aside from this, even within the Commission, there are problems of turf between the various departments including RELEX, TRADE, ECFIN and other services. This was quite evident in the lead-up to ASEM 5. Also, RELEX does not have a specific ‘pot of money’ for ASEM nor has it additional resources. AIDCO has all the money. On the Asian



side, besides lack of regular consultations on ASEM matters, there also need to be greater trust among partners.

The third challenge includes the Asia-Europe Peoples' Forum (AEPF). The ASEM process also belongs to peoples of both regions, be they NGOs or other non-state actors. ASEM was never intended to be the sole domain of governments. The AEPF has all these years shown interest in the ASEM process and has worked constructively with governments. Involving AEPF in ASEM ought to be a logical next step. It would further strengthen the third pillar. If ASEM is ever to really "revitalise and substantiate" itself it must go beyond the 'official process.' But for this to happen, all the three pillars of ASEM should fire together, that is, when business, civil society and government pull together. AEPF should be accorded the same status as the Asia-Europe Business Forum (AEBF).

### **Next steps**

The new co-ordinators – Indonesia, Korea and their European counterparts - plus Finland should get cracking: first, by drawing necessary conclusions from ASEM 5 and, secondly, take specific steps to put ASEM on the positive and forward momentum. Some of the priorities ought to be:

- (1) to set dates and venues for Senior Officials' Meetings;
- (2) to re-energise EMM and FinMM including initiating steps to meet with members of ASEM Task Force on CEP;
- (3) the next Summit should return to a format that allows for more substantive dialogue and greater informality;
- (4) to move from dialogue to project-based co-operation that area possible and practical;
- (5) find ways for governments to encourage and assist the private sector to learn about, and seize, the opportunities in both regions;
- (6) education and training must form a large part of ASEM's future work; and
- (7) to work out the modalities on how to bring AEPF closer to the official ASEM process i.e. to accord AEPF the same status as AEBF in ASEM.

ASEM as a forum of dialogue and co-operation must be persevered and strengthened. The task of ASEM 6 in Finland is not easy, but the task is clear – to raise the potential of ASEM and make it a more rewarding partnership. Lack of ambition and imagination could doom ASEM to irrelevance. We must seek to regain the momentum we have lost. I hope the above is not seen as asking for the moon? ■

H.E. Dato' Deva Mohd. Ridzam is the Ambassador of Malaysia to the European Union. This comment is made in a personal capacity.

## ASEM V: A view from the European Commission

Mr Geoffrey Barratt, ASEM Counsellor, European Commission, said the Summit offered a strong political basis upon which to move forward in the Asia-Europe process. With a lot of substance, the two sides have important work to undertake leading up to the Helsinki Summit in YEAR. On the issue of the future of ASEM, Mr Barratt suggested that the process should remain a forum for dialogue, reinforcing policy co-ordination and proposing avenues for how this should be fed into the multilateral framework. The value of the ASEM process lies in the bringing together of South-East and North-East Asia with the European Union, a format that is not replicated elsewhere. This alone should ensure the EU's continued commitment to the process and its future development.

In light of recent developments, on both sides, including enlargement of the EU from 15 to 25 Member States, perhaps the ASEM process is in need of a period of consolidation, Mr Barratt suggested. The economic sphere, which needed some revitalising, was relaunched in Hanoi but needs significant commitment ahead of the meeting of foreign ministers, due to take place in Kyoto in May 2005. Both sides should move forward quickly to Economic and to Finance Ministerial meetings, which were postponed.

One of the strong points of the Asia-Europe Meeting, Mr Barratt said, at the heads of government and bilateral level, rests in its informal nature, even at the highest level. The process moves forward at the speed and extent to which its leaders give it authority and commitment. On the European side, the European Commission does not see the need for a formal ASEM Secretariat. On the Asian side, if the Secretariat of the Association of South-East Asian Nations (ASEAN) wished to administer the economic aspect, that would be up to Asian leaders to agree upon.

The visibility of the ASEM Summits must be addressed. Usually, Summit-level meetings receive good media coverage for 2-3 days but then lose the interest of the media. Some measure to improve the visibility of ASEM in the long run is needed, Mr Barratt said. The Hanoi Summit produced some very detailed documents, a Working Programme, Joint Declarations and a proposal for a conference in France during 2005. Co-ordination at the multilateral level could be an important role of ASEM, but it remains to be seen whether there is a real demand for such co-operation.



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## Questions and Answers

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David Fouquet, Asia-Europe Project, said that despite an effective Summit by Vietnam, the unofficial view of the results suggests the meeting was disappointing. The Declarations agreed by both sides often do not take any decision but merely propose future courses of action. There seems to be a lack of results in general and not enough commitment to revitalising the process. The good preparations made by ministerial-level meetings, business and civil society were not sufficiently taken up by heads of government.

Caroline Horekens, Director's Assistant and Researcher, EIAS, wondered to what extent was the question of Burma and the future of the ASEM process discussed formally, as opposed to in the margins. Mr Suk-Bum Park, Embassy of Korea, raised the lack of visibility of the ASEM process and suggested there were different reasons on each side. The limited number of European heads of government was in contrast to the commitment demonstrated by China, Japan and South Korea.

Anna Carin Krokstade, European Commission, noted the enlargement of ASEM to include all the Member States of ASEAN raised an important question about co-ordination between the different facets, including EU-ASEAN and ASEAN-ASEM. H.E. Don Pramudwinai, Embassy of Thailand, questioned the commitment of the EU to ASEM noting the poor heads of government representation. He wondered whether the EU was in fact more interested in meeting North-East Asia countries, rather than using ASEM to meet with ASEAN States. If the EU is so interested in the bilateral nature of ASEM, why try and emphasise a multilateral role? The Ambassadors of ASEAN and ASEM countries should meet regularly in Brussels, he suggested, to improve co-ordination with the European Commission and the Council of Ministers.

H.E. Sonnasinh Thong Phochanh, Embassy of Laos, regretted the great difficulty the Asian side had in ensuring adequate EU representation at head of government level. The ASEM process highlights one of the differences between Europe and Asia, namely the issue of European conditionalities hurting Asian sensitivities. ASEM can be a forum to raise many issues but Asian governments do not use it to question the internal affairs of a European State. Siew Fei Chin, Embassy of Singapore, said both sides should welcome the opportunity to use two *fora* for discussions, ASEM and ASEAN. In some respects, the EU could serve as a model for Asians with, for example, stronger dialogues on culture and civilisation in EU-ASEAN than in EU-ASEM.

In reply, H.E. Dato Deva Mohd Ridzam said the issue of Burma had been adequately discussed by leaders at the first informal dinner. The issue was not sidelined

and it was clear that leaders had enough time to air their views sufficiently. The poor European presence contributed significantly to hurting the visibility of the ASEM Summit. Only three out of ten of the new EU Member States were represented. It is unclear exactly what message this sends to the Asian side. Of the EU15, Spain, the United Kingdom and Italy were not represented at head of government level, in what is meant to be a leadership driven process. This hurts EU credibility and overall Summit visibility and risks undermining the whole process. By cancelling the Economic and the Finance Ministerial meetings, the EU is sending the wrong signal to Asia, not least because the Copenhagen Summit tasked the Hanoi Summit with revitalising the economic sphere.

The Summit may highlight several differences in approach to ASEM. It might be suggested, Ambassador Deva said, that the European Commission and Council were lacking ambition over the last three Summits. The EU suggests it wants dialogue and policy co-ordination; but not co-operation? On the other hand, Asian governments would like to move towards co-operation on practical projects.

This raises a more fundamental question – whether the EU has sufficient structures and resources to maintain adequately its external relations policy. The conflict between the European Commission and Council of Ministers must be sorted out and the EU should move beyond its focus on internal issues and the World Trade Organisation. There does not seem to be sufficient co-ordination with the various Commission departments, including External Relations, Trade and AIDCO.

Geoffrey Barratt, European Commission, said one of the benefits of the ASEM process lies in bringing together a unique policy framework with policy co-ordination, which in turn can provide direction to regional organisations, such as ASEAN. The Hanoi Summit came just several months after the accession of the 10 Eastern Member States to the EU. Their participation will undoubtedly improve as they find their feet in the EU framework. H.E. Phan Thuy Thanh said that on the Asian side, the core of the EU-ASEM relationship was the Member States of ASEAN. The EU was launching a significant number of initiatives with ASEAN which can lay the foundation for improved future co-operation. However, overall, the EU contribution to ASEM needs to be more rounded to take account of the different priorities each side attaches to ASEM. ■



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# The outcomes of the fifth EU-India Summit

by John Quigley

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In early November, the fifth EU-India Summit since 2000 was held in The Hague under the chairmanship of Dutch Prime Minister Jan Peter Balkenende with his counterpart, Prime Minister Manmohan Singh. Several days later, on 11<sup>th</sup> November, the European Institute for Asian Studies (EIAS) assessed the outcome of the Summit and the 32-point Summit Statement with representatives from the Dutch Foreign Ministry, the Indian Embassy in Brussels and the European Commission. The meeting was chaired by EIAS Vice-Chairman, Malcolm Subhan.

Mr W. Mohr, Head of South Asia Desk, Netherlands Ministry of Foreign Affairs, said that the Dutch government was satisfied with the conduct and results from the Summit, which was conducted in an open and business-like manner. The results of the Summit would intensify existing co-operation with India and open-up new areas identified in the strategic partnership. These ideas will be elaborated in the EU-India Action Plan ahead of the next Summit, which is due to take place in New Delhi in Autumn 2005.

The EU and India, Mr Mohr said, agreed on many regional issues including Bangladesh and Nepal. The Maoist insurgency is very worrying and although Bangladesh is in a less worrying state, events there are still a cause for concern. The EU welcomes the composite dialogue with Pakistan and hopes normalised relations and a solution to Kashmir can be reached. The Presidential election in Afghanistan is an important part of the stabilisation process, with parliamentary elections to come in the future. Further reconstruction efforts are underway with the reform of the judiciary and police and army training. Both the EU and India are active with regard to Burma, although the Indian government approach is different. While the EU supports sanctions, India prefers to try and engage the regime. This led to a discussion, Mr Mohr said.

On multilateral issues, the EU has not agreed a formal position yet on a permanent seat for India at the United Nations Security Council. After the High-level Panel on Threats, Challenges and Change for the 21<sup>st</sup> Century adopts its report, the EU will agree a common position addressing these kinds of issues including weapons of mass destruction and their proliferation, counter-terrorism measures, money laundering and drugs. On economic matters, the Indian government clearly outlined their reform agenda and the plan for the future. However, the EU does not believe there is a level playing field for foreign companies operating in

India. The private sector hopes for further market liberalisation leading to increased opportunities for foreign direct investment.

Mr R. P. Agrawal, Deputy Chief of the Indian Mission to the EU, said the Summit meeting was “historic” following the enlargement of the EU to 25 Member States. Although India and the EU have relations stretching back to the 1960’s, primarily the relationship is economic focussed. The EU Security Strategy, drawn up by Javier Solana and adopted in December 2003, called for an EU-India strategic partnership. Both the Council and Parliament endorsed wholeheartedly the European Commission’s Communication from June 2004 on an “EU-India Strategic Partnership”. This relieved some of the concern abroad that after the EU announced details of the European Neighbourhood Policy it might ignore external relations policy beyond that immediate region.

Over time, the EU and India are bound to define some areas of policy differently. However, three of the six strategic partners the EU identified are in Asia. In a multipolar world, the EU and India stand as strong points, despite areas of instability in their respective neighbourhoods. India and the EU share values of multilateralism, democracy, culture, a free judiciary and press and non-proliferation. Europe and India have agreed to establish a panel on energy issues with workshops addressing topics such as nano-technology, automotive engineering and the life-sciences.

The notion of a strategic partnership should mean that EU-India relations are not held hostage to Europe’s relationship with other third countries. Hopefully, both sides will take account of the others concerns when developing policy and for interaction through the United Nations and the World Trade Organisation. The strategic partnership must be more than the simple aggregate of existing co-operation. In the globalised world, Europe and India must assess how they want to engage each other and the world at large. Before the next Summit, in late 2005, the vision of the strategic partnership must be fully worked out, possibly through a Joint Political Statement.

At the Summit, the business roundtable was well attended with 17 CEOs from the EU and 15 from India. Prime Minister Singh gave his full commitment to providing a level playing field for foreign companies and to attracting higher levels of foreign direct investment. Prime Minister Singh has pledged to invest heavily in India’s infrastructure over the next 5 years and will seek to bring down its tariff rates to ASEAN levels within the next three years.

Ms Laurence Argimon-Pistre, Head of India Unit, European Commission, said that after the June Communication, the Commission felt the time was right to ask EU leaders to review the state of EU-India



relations, which had developed significantly, even since the first Summit in 2000. If the EU was not prepared to act quickly, it could lose an opportunity to engage with India that other countries were readily availing of, she said. With unanimous support from the Council of Ministers and a positive appraisal from the European Parliament, the Commission felt justified in looking forward with expectation to a good Summit.

The Summit offered an opportunity for Europe to meet with the new Indian government and a chance for India to assess its relations with the EU in light of enlargement and the new Barroso Commission. Such high level meetings offer an important occasion to discuss mutual concerns about wider South Asia, where India is taking a more active foreign policy approach than even five years ago.

The Commission welcomed the Summit as extremely good, with a commonality of minds towards developing the details of the strategic partnership. Discussions on many issues were in-depth and frank and the Commission came away with a good impression. India's agreement to join Galileo, Europe's global positioning satellite system, was unexpected and welcome. With regard to trade and investment matters, the EU-India relationship is generally considered below its potential. Both sides agreed to make progress by 2008 following a very good discussion on the WTO. One of the priorities for the future will be agriculture. Discussions on investment rules, intellectual property and non-tariff barriers will continue.

A good surprise at the Summit was the focus on the environment. India proposed establishing a joint Environmental Forum, with a mandate to examine climate change issues, drought and floods. For the 2005 Summit, the Commission would like to develop the cultural side more. The Commission would propose adopting a Joint Action Plan, similar to the EU-Japan Summit, with short, medium and longer-term objectives. This would be negotiated sector by sector, to see where progress was possible. Following the June Communication, India adopted its own policy document on relations with the EU. The Commission would propose a new Political Declaration to take account of the improvements in the EU-India relationship and to identify further areas of co-operation. As global players, both sides must act with purpose on the multilateral stage.

### **Questions and Answers**

Tazeen Murshid, *Université Libre de Bruxelles*, welcomed India's interest in multilateralism. However, in regional terms, through the South Asian Association for Regional Co-operation (SAARC), India's commitment to co-operation does not always come through. Tomwit Jarnson, Minister Counsellor, Embassy of Thailand, wondered about the precise

extent of the EU-India relationship. Granted, it is a mature and long-standing relationship, but is it considered one of equal partnership, especially compared to Europe's relations with the Association of South-East Asian Nations (ASEAN), for example.

Emilio Menéndez del Valle, Spanish Socialist MEP, raised the role of the United States. During a visit to India, the press reported favourably on the Bush Administration and called for a strengthening of the India-USA relationship. This should be surprising, as the EU and India share a much more common perception of global issues. India's document on relations with the EU refers to some EU Member State restrictions that hinder the development of business ties, could these countries be identified? Majid Trambo, Executive Director, ICHR Kashmir Centre, noted the reference to human rights issues in the Summit Joint Press Statement and wondered whether human rights abuses in Kashmir had been raised.

### **The Speakers in Reply**

Mr W. Mohr noted that human rights were not discussed separately during the Summit but came up several times across different policy areas. Discussions with India on human rights would continue, including on Kashmir. The EU encourages India to continue its dialogue with Kashmiri NGOs and human rights organisations.

Mr R. P. Agrawal replied that despite India's commitment, SAARC, as a regional organisation, had not been able to make progress. India remains committed and favours the emergence of a South Asia Union, similar to the EU, but this would require the commitment of all States in the region. The strength of the India-EU relationship rests in the capacity to agree and disagree, with mutual respect. Even though the priorities may differ, both sides are committed to taking the position of the other side into account, when developing policy.

The restriction of entry of Indian professionals into the EU does not seem to make sense when Europe suffers from a declining workforce and a rising elderly population. India would propose that the freedom of movement of goods should be extended to include services. Restrictions in place in some Member States are not transparent and complex social security issues must be addressed.

Ms Laurence Argimon-Pistre said Europe shares many values with India, not least the willingness to play an active role on the international stage as a global player. As India engages with the world, it can become a pole of stability for its region and beyond. Even though there are arguments about trade issues, for example, the underlying relationship is strong and is based upon mutual respect. ■



# Relocating productive capacities to China

by John Quigley

On 16<sup>th</sup> November, Professor Emeritus Sylvain Plasschaert, University of Antwerp and the Catholic University of Leuven, addressed the European Institute for Asian Studies (EIAS) on fears in the West about the transfer of jobs and productive capacity to China, or elsewhere.

Professor Plasschaert noted that, in the West today, there were pervasive fears about the loss of output and jobs from the United States and Europe towards China. This fear comes at a time when other fast moving developments in the international business sector sows a measure of confusion about globalisation, international trade and the effects of foreign direct investment. De-industrialisation in the West is evident in terms of the loss of jobs but less so in terms of output levels. International business increasingly sees fragmented production, where part of a product is manufactured in one or two countries and completed in another. Compared to the 1970's or 1980's, companies today have a tendency of externalisation, where part of the business or service is farmed out to other non-related companies.

Two definitions are essential to any understanding of the relocation of productive capacities from the West, Professor Plasschaert suggested. First, in relocation, a product may be produced in one country, for example China, and completed in another, perhaps the home country. This is different from outsourcing, where parts of production are entrusted to non-related companies, possibly with the connotation of offshore sub-contractors, often with low labour cost countries.

In terms of the motivation for foreign direct investment (FDI), three principles are apparent. The first principle, market seeking, accounts for some 80-85% of FDI and seems to be a natural result of successful exports. Thus, if a company exports to China and wants to increase production it may be easier and cheaper to expand production away from the home country. With the accession of China to the World Trade Organisation (WTO), the motivation for tariff jumping is less relevant than it used to be. Also, Western sub-contractors exhibit a tendency to follow their main customers, so where companies like Volkswagen lead, smaller companies will follow.

The second principle in FDI is the drive for lower labour costs, not necessarily only in terms of comparing wage levels, between the West and China but, also, in terms of productivity. Where once the

productivity of China or Central Europe was significantly lower, the difference is becoming less marked. Typically this affected traditionally labour intensive products or component industries. The third principle is more relevant today and can be called business process off-shoring. This rapid strand of cost minimising FDI occurs thanks to digital technology and benefits India at the expense of US and UK firms.

Considering China's place in the world economy, its export growth has multiplied 40 times since 1980. Part of this transformation is the result of relocation from the West and Japan. Over time, these exports have diversified towards higher value-added products. Since 1992, FDI volumes have grown considerably and since WTO accession in 2001, reached US\$55bn *per annum*. This dramatic turn-around in the economy is mainly due to foreign enterprises and joint ventures, which account for some 50-60% of investment. Exports from greater China, Hong Kong and Taiwan, also play an important role. Many of these exports are raw materials imported by either a local company or multi-national subsidiary to be processed and re-exported.

Today, Professor Plasschaert said, China presents a rare and possibly unbeatable combination of a massive domestic market expansion with an estimated 50m people annually reaching an income level that could be called middle-income, massive potential for low-cost employment from an estimated 250m unemployed and a rapid phenomenon of technological uplifting.

The impact of the relocation of companies shows that business related services are going to India because of a disparity in wages and the availability of labour. For China, off-shoring from Europe is not new but is accelerating rapidly, for example in the apparel sector, except for high fashion products. Off-shoring leads to the immediate loss of jobs in the home country in favour of the host country but could be considered as opening up China to trade and in terms of benefits for improving the economies of developing countries.

The impact of relocation brings to the surface the conflict of interest between home country producers, which tend now to be smaller companies and importers and consumers. Lower costs of production costs jobs at home but this be translated into lower purchasing costs for consumers. Although there will be de-industrialisation in the West, Europe and the USA will survive due to their role in innovation and high-technology industries. In the future, vicinity to high-income markets may become more significant and reduce the trend of outsourcing.

Dr Sun Xuegong, Economic Officer, Embassy of the People's Republic of China, as Discussant said Professor Plasschaert had presented a very strong case, clearly distinguishing between various concepts used in public debate. Contrary to the popular media



impression, the loss of European jobs to China is not linked to flows of foreign direct investment (FDI). In fact, Dr Sun said, only a very small proportion of FDI entering China was linked to factory closures in the West. This is, of course, of concern to policy-makers in Europe and the United States, but it must be placed within a proper context.

The flow of FDI to the East is about more about than the lower cost of production available in China. Factors including the large Chinese domestic market, economies of scale and scope play a more important role in attracting foreign investment. With increased flows of FDI, the future for China looks promising. The pattern of fragmented production is important due to its effect of trade balances. It is expected that, for 2004, China will enjoy a moderate trade surplus compared to the huge deficit in the United States. It seems that bilateral talks will not be sufficient to resolve this difference, which is why Beijing recommends a multilateral solution.

China has some concerns about inflows of foreign investment. External financing has the potential to bring in dominant multinationals that can suffocate local industry and, in particular, small and medium-sized enterprises. To prevent a situation where there are winners and losers, policy-makers must find ways to distribute economic benefits more evenly in society.

### **Questions and Answers**

Malcolm Subhan, Vice-Chairman, EIAS, commented that it was apparent the West would always have niche markets, particularly in the intellectual property sector as opposed to raw materials. How secure are such niches? Bernard Jarzynka, European Commission, wondered to what extent were Chinese firms investing outside China, giving the example of Poland, where Chinese companies imported raw materials from the East and manufactured locally in Poland. There was also the example of the de-industrialisation of Western Europe with entire factories being stripped and the contents transported directly to China.

Jamshed Sofarov, Ministry of Foreign Affairs, Uzbekistan, raised the issue of defence sector co-operation which, due to political considerations, is lower than otherwise might be expected. With Russia increasingly willing to establish joint ventures with China, how would the probable lifting of the arms embargo lead to increased Sino-EU co-operation, especially in light of the position of the United States. Bonno Hylkema, CEO (Retired) Philips Singapore, noted that relocation to third countries occurred first for reasons of low cost and only subsequently for reasons of market access. European companies may be quite happy to relocate to China in preference to the new EU Member States, particularly if China follows the industrialisation model of South Korea.

David Fouquet, Asia-Europe Project, wondered whether official figures on job transfers actually existed? Dick Gupwell, Secretary General, EIAS, noted that one of the consequences of the peaceful rise of China, in economic terms, was the deteriorating conditions of the workforce, with low pay and bad work places. Was there evidence of workers seeking to improve their pay and conditions and would this pressure force social and economic upheaval?

### **The Speakers in Reply**

Professor Plasschaert replied that while the EU can exploit niches, such as the fashion sector, it is doubtful whether the West will continue to enjoy the monopoly it currently has, in the long run. Inevitably, producers in China and India will move quickly to improve standards and this, in turn, will have a beneficial impact on their intellectual property rights. For products that require high investment, such as medicines, a high level of protection is vital, especially because the actual production cost is minimal. As the concept of IPR does not fit well with the notion of a planned economy, Professor Plasschaert suggested that this area could increasingly become a bone of contention between the EU and China.

With regard to outward investment, Chinese companies are currently investing in the logistics sector, participating in dock construction in the Belgian port city of Antwerp. Chinese companies have invested abroad, buying up poorly performing companies including the television manufacturer Schnieder Electronics and the telecoms company Alcatel. In this way, they hoped to take advantage of existing brand names but, within 10-20 years, Professor Plasschaert suggested, the West will see a lot more Chinese own brand name products. Trade unions in Hong Kong are monitoring the situation for workers in the mainland and, in particular, standards in Chinese companies.

Dr Sun Xuegong noted that the Chinese government increasingly sought to protect intellectual property rights both for foreign companies to help preserve foreign direct investment and also for domestic companies. The government had adopted a policy on outward investment but this not proved initially to be very successful. With many larger Chinese companies still State-owned, the incentive to invest abroad may not be sufficiently strong. Equally, the private sector in China may not be strong enough to manage adequately the requirements for investing outside the country. The government is pursuing policies that will offer suitable protection to all Chinese workers that is compatible with the level of development. As a developing country, China must receive some leeway and although there are some adverse impacts on the environment, for example, this would not be official policy. As wages rise in the coastal regions, manufacturers will move inland in search of lower costs. ■



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## EU-China: closer co-operation?

by John Quigley

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On 9<sup>th</sup> December, the European Institute for Asian Studies (EIAS) in association with the Konrad Adenauer Stiftung, the European Policy Centre and the Hanns Seidel Stiftung held a one-day conference on the outcomes of the EU-China Summit that took place on 8<sup>th</sup> December in the Hague, the seventh Summit since 1998. The conference looked at the Summit Declaration and the implications for the strategic partnership in political, security and economic terms.

In the first session, on “The outcome of the Summit”, James Moran, Head of Asia Unit, European Commission, said the preparations for the Summit were intense and arduous, partly in response to the large number of items on the agenda, which included discussion on the arms embargo. Both sides demonstrated a high level of confidence in each other with the adoption of an agreement on the peaceful use of nuclear research. The agreement was two years in the making. China proposed starting negotiations on a new Framework Agreement to replace the existing 1985 Agreement to take account of the deeper political commitment from both sides.

H.E. Ma Zhengang, President, China Institute for International Studies, Beijing, welcomed the outcome of the Summit saying the process strengthened existing co-operation between the EU and China. Referring to the arms embargo, he said China wished to see it lifted as it was not appropriate between strategic partners. With a relationship stretching back thirty years, such a restriction on co-operation indicated a lack of trust in political terms. Marijke A. Van Drunen Littel, Counsellor for Asia, Permanent Representation of the Netherlands, agreed that preparations for the Summit were very intense and the Summit itself was conducted in a friendly and constructive atmosphere. Both sides welcomed the opportunity to stress the development of the EU-China strategic partnership, as mentioned in the Solana Security Strategy.

In the second session, on “EU-China: A new security partnership”, Professor Zhu Liqun, Director of the Institute of International Relations, Beijing, noted that the EU was not part of a military alliance in Asia and the threat perceptions facing the EU or China are different. China’s peaceful rise has evolved into peaceful development. This includes participating in UN mandated peacekeeping operations including Haiti, Africa and in South-East Asia. As a regional power, China’s first concern is the Asia-Pacific region. Christopher Holtby, Policy Advisor, Council of the EU, felt that the arms embargo question is a side issue, and does not reflect the substance of the EU-China relationship. As strategic partners, there are areas

where we do not always agree including, for example, on Burma. Both the EU and China are emerging powers with the capability to act internationally, through development aid, political co-operation or military intervention. Professor Xinning Song, Director, Centre for European Studies, Renmin University of China, suggested one area of co-operation that the EU and China could explore was Central Asia. The region had problems of fundamentalism, separatism and terrorism that Brussels and Beijing could be well placed to address.

In the third and final session, speakers addressed the theme of “China’s emergence: economic and political implications for European and global governance”. Dr Jean-Pierre Cabestan, Director of Research, National Centre for Scientific Research, Paris, thought it interesting that China does not refer to multi-polarity but does mention multilateralism. It seems that China would not like to be seen to be creating zones of influence in its region, that multi-polarity would suggest. China will have difficulty accepting the need to ratify the International Covenant on Civil and Political Rights, while it continues to implement ‘re-education through labour’ camps, which is basically a system of administrative detention without recourse to the judiciary.

Professor Wang Zaibang, Vice-President, China Institute for Contemporary International Relations, Beijing, said that in preference to using ‘peaceful rising’ he would suggest ‘peaceful revival’ is a more appropriate term to describe the events underway in China today. The process began in 1978 and is still not nearing completion. China is transforming from a society ruled by person to a society ruled by law, from single public ownership to a complex ownership system and from a closed social in cultural terms to an open one. These factors help explain China’s changing perception of the world and its foreign policy area. A successful China will pay more attention to effective multilateralism and will seek consensus with the EU on global governance issues.

Dr Sebastian Bersick, Research Fellow, European Institute for Asian Studies, Brussels, noted some analysts expressed concern about the potential encirclement of China by the United States, particularly through bases in Central Asia. In fact, China does not seem to be too concerned as it relies on the fact that few, if any, Asian countries would join a Western-led alliance against Beijing. China also appears to be modifying its long-held principle of non-interference in the internal affairs of another State. When the EU intervened in Kosovo, Beijing was very critical yet, on Iraq, the criticism is much less apparent. China now supports a more active role in international UN peacekeeping missions, as part of its commitment to multilateralism and in order to expose part of the military to the outside world. ■

## Taiwan-China Cross-Straits relations: Outlook for regional security in East Asia

by John Quigley

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The European Institute for Asian Studies, Brussels (EIAS), the Asia-Europe Centre, Paris (AEC) and the Centre for East Asia Studies, Madrid (CEAO) organised a two-day, two-country conference, in collaboration with the members of the European Alliance for Asian Studies (see [www.asia-alliance.org](http://www.asia-alliance.org)). The conference reviewed the current state of China-Taiwan relations following the Presidential election in Taiwan, in March 2004, with an emphasis on implications for regional security. Speakers from Taiwan, mainland China and Europe included academics, representatives from think tanks and journalists. The conclusion of many speakers and participants suggested that the outlook for cross-strait relations is bleak with the possibility that mixed, confusing or mis-interpreted messages might open the way for military conflict. *EurAsia Bulletin* presents three papers in abbreviated format from the conference and an extract from the conference report. Full details of the conference, the speakers and the programme can be found on [www.eias.org](http://www.eias.org).

## The future of China's foreign policy and the "Peace Rising" doctrine

by Prof. Shi Yinlong

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Roughly from China's 1996 "Missile Test" targeting somewhere in the east offshore waters near the island of Taiwan, four years after Deng Xiaoping's very famous South China inspection tour which launched the accelerated economic reform and China's sustained rapid economic growth up to now, the circles of foreign policy elite opinion in the United States and even the American government have been always taken the prospect of China developing into a real great power of East Asia or even a future world power at a relatively quick pace as a fundamental framework or primary starting point for considering and conceiving America's grand strategy toward China and East Asia, and in effect almost always conducting a strategic debate on what should be the primary aspect of the US approach toward China: being on guard and "containment", or co-option and "remoulding by soft means".

However, on the part of China's foreign policy opinion, the situation had been quite different from that in the United States in the same period. As the development of China's economic strength was perceived (and in fact) far from sufficient for itself, because the self-confidence and willingness for carrying out an active outward foreign policy were still quite limited, and also because the "stimulants" came from the situation of the Taiwan problem as well as from the certain social transformation and psychological change within China, had not reached a corresponding point, the prospect of China tending to become a really great power through rapid peaceful development had, for a long time, not been taken as a fundamental starting point for the general thinking of China's foreign policy opinion. What had been prevailing as the overwhelming mainstream was the very moderate, highly prudent and sometimes even rather conservative foreign policy ideas and conceptions, including the belief in "lying low" ("*tao guang yang hui*"), the absolute No. 1 priority of domestic economic development and limited participation in international regimes, together with a kind of feeling of weakness, that regarded bearable compromise and patience or self-restraint as the main approach in dealing with external hard constraints.

However, the rapid growth of China's economy and foreign trade that has been sustained for many years, has finally reached such a point that primarily under the strong situational and psychological "shock" from the danger of Taiwanese independence with an unprecedented high degree of seriousness marked first of all by the result of the 2004 Presidential election in Taiwan, combined with the effects of the remarkable partial decline of American power, especially demonstrated by the post-war Iraqi situation, as well as of some social factors within China in recent years, the probable future prospect that China develops into a great power at an accelerating pace in a general peaceful way, and the willingness to protect and promote this development vigorously by employing economic resources, diplomatic instruments and (in a very few possible cases) military means, has just begun in its first step to function as one of the most important elements in deciding China's foreign policy opinion. This newly emerged development would probably be a first-rate significant factor to shape the future posture of China toward the outside world. This might have exhibited an epoch-making great hope that China should have, but it also contains a possibility to develop into different direction.

### ***Newly emerging thinking***

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At the same time, a large part of China's foreign policy opinion in 2004, or so, makes one begin to pay significant attention to several widely prevailing important senses that are newly emerging. They also contain different possibilities as mentioned above.



First, the Chinese opinion finds almost suddenly that China has had a quite huge economic strength resulting from the very rapid and sustained economic growth, that this strength is an available major strategic instrument of national power in many cases (and at the present almost the only really available one besides diplomacy in its strict sense). Secondly, the Chinese opinion finds almost suddenly that there is need for active outward foreign policy, especially for out-forward foreign economic strategy, to obtain or maintain the supply of external resources and foreign markets and the related political influence, thereby promoting further the domestic development and contributing to the management of certain domestic economic and social tensions at the present and in the future. Thirdly, the Chinese opinion has suddenly developed a sense of urgency for “energy security” (in the cases of some mass media it may even be called as “energy obsession”), together with a remarkably stronger sense for sea power, among some opinions.

And, fourthly, China almost suddenly finds that the Taiwan problem has deteriorated in an unprecedented degree first of all because of the result of the March 20<sup>th</sup> Presidential election on that Island, and this dramatic consciousness has greatly stimulated the sense of urgency for a really accelerated military build-up and preparation for the use of force to crush Taiwanese independence, and in a great degree made the whole national “strategic culture” focusing on “solving” the Taiwan problem. Fifthly, largely because of Taiwan, the Chinese opinion (or at least a large part of it) almost suddenly finds that, fundamentally speaking, the United States is primarily a strategic rival of China, and begins to feel unambiguously for the first time that there may be a military conflict or limited war in the future with the US over the Taiwan issue (Some people even regard this as an inevitability). Finally, as to a quite large part of “elite opinion”, it seems that its sense of urgency for external problems has in general surpassed that for developing domestic reform; For many, the conception or conviction of “influencing the world by reforming ourselves” that almost represented a consensus of foreign policy elite opinion for many years seems to have suffered a reversal.

A development which did not begin in 2004 is also worthy to be closely remarked. That is, the rapid growth of popular nationalism promoted by the social transformation and the economic growth. Related to it is the rise of “public opinion” and the relative decline of “elite opinion”. Moreover, China now has a new generation of “opinion makers” belong to unofficial and semi-official media, the driving forces of which includes commercial motivation and popular nationalism. China thus has certain important new forces or resources in a positive sense in her management of foreign affairs, but the complexities and difficulties of her policy making and policy implementation also increased correspondingly. It

could be said, therefore, that China’s foreign policy begins to face a newly added dialectic.

### ***“Peaceful Rising” as a fundamental foreign policy doctrine***

China is in her “peaceful rising” stage, as world opinion very widely and increasingly recognises, especially in recent years. But the above observation indicates that “peaceful rise” is still not (or even far from) an undoubted and unchangeable national orientation based on a minimum national consensus, whether it is this primarily due to the external or internal causes or dynamics. Therefore, China does need a fundamental doctrine of “Peaceful Rising” and the related systematic elaboration. In the major part of last year, “Peaceful Rising” was developing into such a doctrine or foreign policy “philosophical” programme, and received wide and largely good response from the international community and world opinion. Moreover, few imaginable short-term or middle-term “un-peaceful” or not so peaceful tactics, strategy, or policy options (chiefly over the Taiwan issue) are very much compatible with “Peaceful Rising” as a general national orientation for a whole historical period or epoch, just as the doctrine of “independent peaceful diplomacy” used by China for many years up to now.

However, the “Peaceful Rising” doctrine has been suddenly withdrawn, disappearing in effect totally from China’s official statements and domestic “formal” discussions, after the Head of State and Premier of China publicly declared it several times, after it was elaborated and discussed with great frequency by the scholarly circles and media in China. Although the fundamental rationales for raising this doctrine in the first place have not been denied or refuted, and the original basic needs for it still exist.

A concept for a long-term foreign policy programme which generally or, at least roughly, fits to the new historical period and new grand requirements (and also in the same degree fits a changing China in a changing international environment) has been withdrawn. An imaginable result could be aggravation of a certain major “vacuum” in foreign policy idea and opinion, possibly producing some profound intellectual confusion and mental self-contradiction, and increasing irrelevance of some older and traditional tenets or slogans. What a rapidly developing China requires at the present is something which could be expected to “command” the management of various particular issues in her foreign affairs, providing to them a kind of unified “strategic logic” and “philosophical rationale”. Without it, China’s “peaceful rising” will be somewhat negatively influenced, possibly even substantially. ■

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# Cross-Strait relations after the legislative elections

by Linda Jakobson

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There seems to be general consensus that cross-Strait relations will remain strained for years to come. Since Chen Shui-bian's slim election victory last Spring, it has been clear that Beijing is today as suspicious, if not even more suspicious, of Chen Shui-bian and his intentions than during his first term. On the one hand, Beijing would prefer to simply ignore Chen and wait until 2008 with the hope that a more – in Beijing's eyes - constructive Taiwanese leader is elected President, one that would agree to talk about political integration in the long-term. On the other hand, from Beijing's point of view, Chen cannot be ignored; he must be watched closely. If Chen does announce an initiative that Chinese leaders interpret as further complicating unification or making it impossible, Beijing will immediately turn to Washington and pressure the United States to rein Chen in.

The crucial question is not will there be tension, but rather how strained will cross-Strait relations be in the next few years. One of the major issues affecting cross-Strait relations is Chen's desire to change the constitution. It is almost impossible for Chen to have an entirely new constitution approved by the Legislative Yuan because, legally, three-quarters of the members of Parliament would have to vote in favour of the new constitution and Chen's party, the Democratic Progressive Party (DPP) and its ally, the Taiwan Solidarity Union (TSU) do not even have a majority in Parliament. It is entirely possible, however, that the DPP and TSU will together secure a majority in the Legislative Yuan in the December elections. That is why Chen Shui-bian has changed his tune and now speaks of modifying the constitution.

Because of the impossibility of having an entirely new constitution approved by the legislature, Chen originally, about one year ago, wanted to organise a referendum to approve drawing up a new constitution. But, as we know, Beijing's staunch opposition and the pressure put on Washington by Beijing to stop Chen resulted in Chen abandoning the plan. Could Chen go back to his original plan and try to push through a new constitution by referendum in the next 4 years? Of course anything is possible, but this is unlikely.

## ***Prerequisites for a political settlement***

I wish to discuss some of the prerequisites, as I see them, for political accommodation to take place between the two sides in the long-term. My intention is to see if any of these prerequisites will materialise in

the near term. One is a self-confident leadership, with visionary skills, on both sides. I think we can agree that in the next few years it is highly improbable that either side will have a leadership with these characteristics.

Hu Jintao has not yet consolidated his position despite having taken over the last official position held by his predecessor Jiang Zemin, namely the Chairmanship of the Central Military Commission. Hu Jintao cannot be expected to be self-confident or visionary and therefore he will not be in a position to compromise. Chen Shui-bian certainly intends to, in some way, to make his mark in history during this, his last term as President. But Chen is simultaneously acutely aware that Taiwan is a politically polarised society, following the very tight Presidential election and all the mud-slinging that took place during the campaign. He is also under pressure from Washington not to rock the boat, so to say. So though he is perhaps more self-confident than his counterpart, Hu Jintao, his actions are restricted by domestic constraints and pressure from Washington.

Another prerequisite, in my view, for political accommodation is the implementation of genuine political reform on the mainland, in order for Taiwanese people to feel that the societies on either side of the Strait are more reminiscent of each other. This too is a tall order. Due to Hu's insecurities there is little hope for meaningful political reform in the next few years. On the contrary, with demonstrations, protests and riots on the rise on the mainland, it could well be that the measures taken by the Chinese authorities will harden and that, in turn, will have a negative effect on Taiwanese attitudes toward the mainland. Witnessing the process of democratisation will most probably not endear the Taiwanese to a political accommodation because there are bound to be several ugly incidents on the way to the mainland becoming more accountable and politically open.

A third prerequisite is the continuation of economic integration, and on this front, positive progress will be undoubtedly made. One can expect economic integration to deepen, and that in turn will make the Taiwanese economy more dependent on the mainland, and likewise a larger part of Chinese economic growth dependent on investment from and trade with Taiwan.

A fourth prerequisite for political accommodation is what I have coined "the lure of belonging to a Greater China". If China continues to develop in the same way it has for the last 20 years and, if political reform is, bit by bit, implemented as successfully as economic reforms were during the past two decades, then, in my view, China could, over time, become a partner that Taiwanese might increasingly want to be linked to. Mainland China would attract not only businessmen in Taiwan but also, *inter alia*, Taiwanese scientists, scholars in general, entertainment industry people and the arts world.



A fifth prerequisite is of course the active role of the United States, and to some extent other members of the international community, in encouraging political accommodation. With George W. Bush in the White House for the next 4 years one can expect Washington to continue its role as maintainer of the balance. The US will continue to oppose any unilateral move to change the *status quo*, as Bush said a year ago in December, when he gave in to Chinese demands and in the presence of Chinese Prime Minister Wen Jiabao, rebuked Chen Shui-bian in public for Chen's referendum plans.

So, one can safely predict that in the next few years the United States will encourage the two sides to talk, at least about establishing direct links. Business communities on both sides of the Strait desire direct links but in the current political environment this does not seem likely.

In some specialists' view, it was President Bush's repudiation of the "strategic ambiguity" policy in 2001 that finally stabilised the escalation of tensions between Beijing and Taipei. Essentially, the President quite clearly stated that the United States would definitely help Taiwan militarily if the island is attacked by China and that Taiwan should not attempt to declare independence unilaterally to change the *status quo*. This "dual clarity" policy has, in some specialists' view, laid the foundation for a meaningful peace in the Taiwan Strait because it provides the most realistic deterrence to the extremists on both sides of the dispute. These analysts see Mr. Bush's re-election as a strongly stabilising factor in the Taiwan Strait.

On the other hand, there are specialists who predict that the influence of the United States over Taiwan is waning rapidly. If Chen Shui-bian secures a substantial victory in the legislative elections in December, it is possible that he might push ahead for a popular referendum to add the word "Taiwan", perhaps in parenthesis, to the name of the island, now officially ROC Republic of China, despite assurances he has made not to change the name of the island. Beijing has explicitly stated that it opposes any move that would alter or be seen as altering Taiwan's status or name.

Specialists who are predicting a marked escalation of tensions in the Taiwan Strait during the next few years point out – correctly in my view – that even the more radical elements within the Chinese leadership do not necessarily want to invade Taiwan, but advocate, if necessary by force, ending the impasse in the Strait by implementing strategic strikes against the island, especially the island's telecommunications and shipping routes, to create havoc within Taiwanese society. That, according to this line of thinking, would break the will of the political establishment in Taiwan and, in turn, force the leaders of Taiwan to the negotiating table – which is exactly the goal of Chinese

military threats. Not war, but to compel the Taiwanese political leadership to discuss eventual unification.

For the United States, deterring China from an outright invasion of Taiwan is straightforward. But, would the United States become militarily involved in a conflict for the sake of one word, "Taiwan" in a parenthesis? Many doubt it. So do I. In addition, there are American military specialists who have put forth that the United States would have grave difficulties impeding a blockade of Taiwan.

### ***Measures that Beijing or Taipei could adopt***

I have suggested that China allow Taiwan to host an Olympic event, for example the Olympic baseball event in Gaoxiong (a hotbed for the Taiwanese independence movement but also the cradle of Taiwanese baseball).

This would show the people of Taiwan that "One China" truly applies to people living on both sides of the Strait. This gesture would, in my view, evoke a substantial amount of good will in Taiwan. This is especially relevant at present since, according to media reports, Beijing is contemplating allowing Hong Kong to host the Olympic equestrian event. The political leaders of the United States and the European Union should actively encourage Beijing to share an Olympic event with Taiwan.

I have also suggested that China should invite a Taiwanese along on one of its space missions – again, as a gesture of goodwill and to evoke positive feelings among ordinary Taiwanese. Yang Liwei's visit to Hong Kong after becoming China's first man in space was an immense pre-success for China. Ordinary Hong Kong-ese, regardless of their opinion of the political leadership in Beijing, were very excited of Yang Liwei's accomplishments and noticeably proud to be part of it. Thirdly, I consider a goodwill visit by Premier Wen Jiabao to Taiwan, without preconditions, as a third important measure to evoke trust among Taiwanese toward the Beijing leadership's intention.

As to measures that Taiwan could take, Taiwan should at least postpone contemplation of changing the name of the island or constitution, and see what initiatives Beijing proposes after Hu Jintao feels more confident in his position of power. This will take some years, which means that Chen Shui-bian has to abandon his aim to leave his own mark in history. This he has already done, as the first non-KMT president after 55 years of KMT rule. Far-reaching compromises will be needed on both sides of the Strait if a lasting peace is to be achieved. ■

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# Trends in cross-strait relations & inspirations from Europe

by Dr Wei-Wei Zhang

Three trends have apparently marked the cross-Strait relations since the new century set in: First, from Beijing's perspective, Taiwan is drifting further away from China in a direction of independence since the Democratic Progressive Party (DPP) came to power in 2000. Multiplying activities in favour of de-Sinicisation, rectification of Taiwan's name and the creation of a Taiwan Constitution are just some signs of this trend. Apparently, Taiwan-style democracy, especially its populist approach, serves to drive Taiwan further in this direction, as was during the 2004 election when the DPP candidate strongly advocated steps that would take Taiwan closer to *de jure* independence through constitutional reform and referendum, his opponents, who used to embrace the idea of an eventual unification with China, also moved their position closer to the DPP's for the sake of votes. Despite certain conciliatory gestures towards Beijing, the DPP administration takes a firm position that Taiwan's sovereignty belongs to 23m people in Taiwan, not 1.3bn Chinese "including Taiwanese compatriots", as claimed by Beijing.

This drift towards full-scale independence seems to have disturbed not only Beijing but also Washington, who may fear a direct military confrontation with Beijing at a time when Washington needs more co-operation from China in fighting terrorism and defusing the North Korean nuclear crisis. The pro-independence trend may well continue to develop, given the DPP's control of Taiwan's political resources, the populist nature of politics, the society's general perception of Beijing's hostility towards Taiwan and DPP's possibly strengthened position in the coming December 2004 Legislative Yuan election.

While Beijing continues to advocate an eventual peaceful re-unification with Taiwan under the notion of "one country, two systems", a formula that Taipei rejects, China has shifted its priority from promoting re-unification to preventing Taiwan's independence, including the possible use of force to this end. This second trend in the cross-Strait relations has been reflected in a series of China's recent official statements, especially the one issued by China's Taiwan Affairs Office on 17<sup>th</sup> May 2004. The statement puts Beijing's view bluntly that "the Taiwan leaders have before them two roads. One is to pull back immediately from their dangerous lurch toward independence and the other is to keep following their separatist agenda to cut Taiwan from the rest of China and, in the end, meet their own destruction by playing with fire."

It is also widely observed that Beijing's rhetoric is increasingly backed by its intensified military preparation, ranging from deploying more missiles across the Strait to holding targeted military exercises to developing and purchasing more advanced weapons, and Beijing now views Chen Shui-bian's plan to amend the constitution in 2006-2008 as a blatant timetable for Taiwan's independence.

Amidst this enhanced tension and hostility, however, there is a third trend, that is, a trend of vigorously growing informal ties between the people of the two sides, especially in the economic domain. China has replaced the United States to become Taiwan's largest export destination; Taiwan relies on the Chinese mainland for its current account balance; Taiwan investors have poured approximately US\$70bn into the Chinese mainland over the past decade; 60% of China's IT exports today are produced by Taiwan-invested companies. Economically, the two sides are in fact integrating at a fast pace.

Cross-Strait relations are now at a cross-roads. The above-mentioned trends have raised some fundamental questions about how Beijing-Taipei relations should evolve in the future: firstly, why the two sides should necessarily move towards a head-on collision when the two are increasingly integrating with each other economically? Secondly, is how to defuse current tension and avoid confrontation between the two sides? And third, what kind of future the two sides should eventually embrace? In answering these questions, the experience of European integration, from my perspective, can provide rich inspirations.

Indeed, throughout its history Europe was marked more by divisions and conflicts than by unity and integration. The peoples and states were long divided from one another, and tensions and conflicts were the norm. Forces in favour of greater unity existed along the way, but they never gained sufficient momentum until the end of World War II, which had caused unparalleled human suffering in Europe and beyond.

It is useful to mention here that Taipei is known for appreciating the experience of EU integration and its relevance for cross-Strait relations, with a focus on sovereign equality among all EU members, while Beijing dismisses the EU experience as irrelevant for the same reason. From my point of view, however, the excessive attention given by the two sides to sovereignty disputes risks ignoring the bigger picture of the European experience as well as the range of inspirations that the two sides may draw on. To my mind, what is significant is not whether the EU experience is based on State-to-State relations, but how Europeans have transcended sovereignty disputes to embrace practical and mutually beneficial co-operation and integration.



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## ***The vision of a common destiny***

The vision of a shared destiny for Europe at the level of European statesmen was crucial for the success of European integration, as it allowed key European States to move beyond each nation's narrow political outlook, immediate interests as well as possible populist approach (which characterises so much today's Taiwan politics) for the sake of greater common interest, reconciliation and integration. Indeed, at a political level, a body like the European Union could develop into today's powerful structure to a great extent because it did not choose to politicise the matter or resort to populist approach to woo the electorate. This point should not be missed in Taipei's appreciation of the EU experience.

Taipei is now advocating independence in order to stay as far away as possible, economically, culturally and politically, from the Chinese mainland, in favour of an eventual *de jure* independence of Taiwan. History will prove that this is an unwise and short-sighted option. The two sides may, for one reason or another, continue to challenge each other and even go as far as to fight a devastating war, but I believe, as many others do, that at the end of the devastating war, the two sides will still return to this common sense conclusion: the only way-out for the two sides is co-operation, reconciliation and common prosperity.

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## ***Process of integration***

European integration, however imperfect, is now widely seen as the world's most successful regional integration in the post-war era. What has actually happened in Europe can be described as an inclusive and converging process of integration. The European experience of integration has never been a black-and-white picture. Rather, it is neither black nor white but "grey", with its ultimate goal kept deliberately vague. In the same political context, the process of European integration did not follow any master plan or a "big bang" strategy. Instead, the overall pattern of European integration is inclusive, pragmatic and flexible.

The three forces of reconciliation, integration and unification have been operating in a dynamic and interactive way. Europe seems now to have embarked upon a road towards some kind of broadly defined unification, whose future shape is still difficult to predict today. In comparison, the two sides of the Taiwan Strait seem to have focused narrowly on one or two exclusive goals. While Beijing's political goal is exclusively unification based on the concept of "one country, two systems", Taipei's position is to seek its full sovereign equality with the mainland. As a result, the two sides collide squarely with each other on the most sensitive issue of sovereignty. It is advisable for the two sides to learn something from Europe's "grey" approach.

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## ***Focus on functional co-operation***

Throughout the international system, international agendas were long centred upon traditional or "high policy" issues. But the process of European integration has shifted its focus onto "low policy", or functional, issues. This is not to say that "high policy" issues and balance of power manoeuvres are no longer important, but "low policy" concerns relating directly to the welfare of populations prove to be the real driving force behind Europe's integration. It is in such "low policy" and functional areas as labour, agriculture, tariff reduction, anti-drug trafficking and environmental protection that the EU found much common ground for co-operation, and gradually cultivated dialogue and co-operation, laying a solid foundation for their mutually beneficial integration.

As cross-Strait political tensions now are high, it is crucial for the two sides to consider first how to promote mutually beneficial co-operation in wide-ranging "low policy" areas such as agriculture, fishery, medicine and IT industry, and the two sides should talk to each other and gradually establish necessary inter-governmental mechanisms for co-ordinating extensive bilateral co-operation in these functional areas.

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## ***Conclusion***

With the inspirations from Europe in mind, we may reach the following conclusions: The trend of Taiwan's independence is unlikely to be constructive for the interests of Taiwan and it will lead to a military confrontation with China, from which Taiwan has nothing to gain but everything to lose. In this context, drawing on the experience of European integration, the two sides should endeavour to reshape their bilateral relations beyond the present mutual hostility in a direction of co-operation, reconciliation and common prosperity. A vision of the shared destiny, an inclusive and converging process of integration and a functionalist approach with a focus on co-operation on issues directly relating to the welfare of the people, all these European inspirations are what is needed for Taiwan and the Chinese mainland, especially at this time of high political and military tension.

Both sides should embrace moderation and demonstrate vision to reverse the current vicious cycle of their mutual relations. Can the leaders of the two sides of the Taiwan Strait do better than their European counterparts of yester-year in realising, through their foresight, rather than through catastrophes, that Taiwan and the mainland are bound to share a destiny of co-operation, reconciliation and common prosperity? ■

Dr Wei-Wei Zhang is a Senior Research Fellow at the Modern Asia Research Centre, Geneva, and Guest Professor at Fudan University, Shanghai, and Tsinghua University, Beijing.



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# Conference Report (Extract)

by John Quigley

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## **Cross-strait relations in post-elections Taiwan; Part One**

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Dr David Huang, Vice-Chairman, Mainland Affairs Council, the Executive Yuan, said that there were four dimensions to cross-strait relations. Firstly, the economic exchange between Taiwan and China will be of the order of US\$46bn in 2004, with a trade surplus of US\$25bn in favour of Taiwan. China represents Taiwan's largest export market making up 17% of total trade. Since 1991, Taiwan has invested US\$70bn in China creating an estimated 10m jobs. The second dimension was the military threat faced by Taiwan. Military intelligence suggests that China had 600 missiles targeting Taiwan, with an increase annually of between 60-70 missiles. Taiwan needs to take the military threat posed by China seriously, both at a military level and by increasing public awareness. The third dimension reflects the diplomatic confrontation that arises from China's insistence in foreign relations of maintaining a principle of one-China. This is an effort to deny Taiwan any international status or presence. The fourth dimension reflects the nature of democracy in Taiwan. Inside the liberal democracy there are both independence and pro-unification parties. In his inauguration speech, President Chen outlined the four no's and promised that if China pledged not to use military force against Taiwan, then there would be no need to declare independence. Equally, it is hard to be optimistic about cross-strait relations when China refuses to engage in direct dialogue.

Linda Jakobson, Senior Researcher, Finnish Institute of International Relations, Helsinki, presented an outline of what an ultimate political solution to the cross-strait problem might look like. Her analysis was based upon a report she compiled for the International Crisis Group on possible models for dispute settlement. The model examines a 'greater China union' as a basis for a lasting solution. The starting point must be that *de jure* independence for Taiwan is unrealistic, as Beijing will not accept it and China's insistence on one-country two-systems is equally unrealistic as the Taiwanese people would not accept any reduction in their rights. Referring to the Åland Islands, which belong to Finland, as a potential model, Ms Jakobson suggested that a federal model might be useful. The Åland Islands have the right to represent themselves in all areas except foreign affairs, which is controlled by Finland.

Islanders have a regional citizenship card and the Finnish passport is stamped with Åland. Any viable political solution will have to contain an elastic notion of what it means to be Chinese.

## **Cross-strait relations: the role of non-governmental actors**

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Dr Mario Esteban Rodriguez, Research Fellow, CEOA, Madrid, noted a contradiction in cross-strait relations since the 1990's. While private exchanges have never been more intense, official contact has never been so antagonistic. The chances of reaching a negotiated solution to the cross-strait conflict seem very low. When the Kuomintang party was in power, the one-China principle was sufficient to keep the peace. The onset of democracy in Taiwan has altered the nature of diplomatic exchanges between China and Taiwan. Between 1997 and 2004, the number of Taiwanese identifying themselves as not Chinese more than doubled to just under half of those surveyed. In both Beijing and Taipei, the political implications of being seen to make concessions, could be disastrous. Meanwhile, China is trying to wring concessions from Taiwan by suppressing Taiwan internationally but at the same time allowing economic links to grow. At the same time, China is preparing its military to have the option to take the island by force, if necessary. This diplomatic deadlock forces both sides to wait, hoping that external political or economic changes will force concessions by the other side.

Professor Robert Ash, School of Oriental and Eastern Studies (SOAS), London, looking at trade and investment trends, suggested that following the dual accession to the World Trade Organisation, trade growth across the strait has accelerated. China's trade with Taiwan exceeds that of Japan or the United States. Year-on-year, in the first seven months of 2004, cross-strait trade increased by 14%. In contrast to previous years, in 2003, exports from the mainland to Taiwan increased by 56%. Flows of foreign direct investment is overwhelmingly one-way, from Taiwan to the mainland and reached US\$17bn in 2003. The intense process of economic integration across the strait is reflected in the very high proportion of China's FDI flow arising from Taiwan, at least one-third but probably much higher once the round-tripping of FDI from Hong Kong, the Caribbean and the Pacific is appropriately accounted for. It is strange that given the depth of economic links, the political links do not reflect its importance. Or, to put it another way, despite the political differences, the economic ties make it imperative that cross-strait tension is not allowed to get out of control. It seems that the threat of losing Taiwan motivates China much more than the desire to re-unify or change the status quo.



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## **International interest in cross-strait relations**

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Willem van Kemenade, China Analyst and Consultant, Beijing, said that since the 1950's, the concept of security has been absent from the European Union's pre-occupation with East Asia. Colonial powers relinquished their interests and the United States took over. In 1981, the Netherlands was the first EU country to conclude an arms sale with Taiwan, although this had major implications for Holland's relationship with mainland China. A decade later, France joined the fray and were more successful, in part because of the payment of an estimated US\$0.5bn in kickbacks and because the deal had little strategic value. When the United States began selling weapons in earnest, China responded by selling arms to 'states of concern' and generally not co-operating with non-proliferation initiatives. At EU level, the European Parliament seems ill-informed, suggesting that Taiwan join the Asia-Europe Meeting (ASEM) even though its meant to be an organisation of sovereign governments. Although keen to foster relations with Taiwan, many countries realise that they can not afford to downgrade or damage their relationship with mainland China.

Professor Yinhong Shi, International Relations, Renmin University of China, said that following President Chen's election victory China sees two strategic choices. Firstly, China seeks to prevent Taiwan's declaration of independence. This is a priority that even supersedes drives to re-unify. To stop or crush independence in Taiwan, China would use force only when absolutely necessary. The second strategic choice shows that the military and diplomatic options for dealing with Taiwan have taken centre stage. Following the election of President Chen in 2000, China abandoned its previous strategy of insisting on one-China because Beijing did not believe it could deal with the Democratic Progress Party. Instead, Beijing hoped that the 2004 elections would return the Nationalist party to power. China had been able to distinguish between preventing independence and promoting re-unification and was encouraged by statements from the Bush administration opposing Taiwanese independence. The re-election of Chen suggests to China that Beijing must clearly demonstrate to the United States that it is prepared to use force to prevent independence under provocation. This might buy time to be able to resolve the Taiwan issue peacefully, at bilateral level.

Professor Wong Ming-Hsien, Institute for Strategic Studies, Tamkang University Taipei, addressing the arms embargo question said the ban on weapons sales has implications for wider EU-China trade but also for regional security in the Asia-Pacific. Since 2003, France and Germany have led the debate about lifting the EU embargo, imposed after the Tiananmen Square events of 1989. This debate is taking place outside of

discussions about whether China's human rights practices have improved since then. While the embargo has no legal weight, in 1998 the EU adopted a Code of Conduct on Arms exports, which included the criterion that the country of final destination must respect human rights. At the same time, the EU has chosen China as a strategic partner although this primarily reflects trade considerations. In 1998, both sides began an annual summit mechanism and in October 2003, China called on the EU to lift the embargo in its EU Policy paper. China hopes to end its reliance on Russia as a supplier of military technology but the United States is worried about unrestricted EU sales. Lifting the embargo would allow China to diversify its military sources, would promote China's strategic status, improve the rate of military modernisation and affect the triangle of EU-USA-China relations. Taiwan must impart to the EU the true significance for cross-strait and regional relations of China having the ability to acquire advanced weapons.

Dr Phil Deans, Director, Contemporary China Institute, SOAS, London, examining the role of Japan in cross-strait relations noted that there was a significant change in Japan-Taiwan relations since the mid-1990's. While Japan has important political and economic ties with Taiwan, the role of security issues re-emerged to take a new prominence. The commercial ties are rooted in the colonial period and since the 1950's Japan has had a significant trade surplus with Taiwan. Only after 1995, was the volume of Taiwan-Japan trade exceeded by that of Taiwan-China. It is estimated that 70% of Taiwanese investment into mainland China is connected to Japanese capital. The Taiwan lobby in Japan is very strong with only two members of Prime Minister Koizumi's cabinet not connected to the Interchange Association. In contrast, with the resignation of Tanaka Makiko, there are no obviously pro-Chinese cabinet members. In general, US policy in Asia determines Japan's policy towards Taiwan. One of the consequences of Taiwan's democratisation was a strengthening of links with Japan. Equally, if in political or economic terms, China can pressurise Japan, that could severely affect Taiwan.

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## **Recommendations from Paris**

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It was suggested that although China and Taiwan are a *de facto* couple, there is no prospect of a marriage on the horizon. Their relationship is affected by four characteristics. In terms of political issues, diplomacy and military factors have major implications but are generally limiting on the relationship. Trade and foreign direct investment comprise central elements in the economic relationship and help temper the political issues. The people factor is another characteristic. The role of people-to-people exchanges and civil society is growing but the growth of nationalist sentiment could hinder this. A final characteristic reflects the importance of the international dimension to the



relationship. Membership of the WTO should help improve cross-strait relations and the EU has been suggested as a potential model for future institutional links.

Recalling the observation that while private exchanges across the strait have increased at the same time that official exchanges are decreasing, it should be noted that the process of democratisation on the island probably has not helped. The role of nationalist sentiment in China should be more carefully analysed to gauge its effect on official Chinese views that favour a negative perspective on Taiwan. It may be the view of some in Taiwan that it is more constructive to try and engage with China than isolate it but the gains made in economic links have not been translated into improving political ties. China may be at a turning point both domestically and in its relationship with the world. It remains to be seen how the Communist Party will respond to the challenges China faces in the 21<sup>st</sup> Century, including globalisation and calls for political reform at home.

Currently, the EU role in East Asia is limited in terms of security considerations but substantial in terms of trade. With the development of its common foreign and security policy, the EU may be more interested in developing a role in the region as a peacekeeper, challenging the dominance of the United States. China can see the difference in approach of the EU versus the US and increasingly uses indirect pressure on Taiwan as a policy instrument through the EU, the US or Japan. It is not clear but this could be consistent with the notion of China's peaceful rise.

.....: Madrid Conference :.....

### ***Cross-strait relations in post-elections Taiwan; Part Two***

Willy Wo Lap Lam, Asia Journalist, Hong Kong, believed it was very important that President Hu Jintao has the three positions necessary to have a free hand to take initiatives in foreign, military and re-unification policies. The real reasons why former President Zhang Zemin relinquished control of the Central Military Commission are not yet known, but it was not his personal intention to do so. With over two years in office, it is clear that, to date, President Hu is not a risk-taker and that he does not have any grand vision. Together with Prime Minister Wen Jiabao they share values such as maintaining stability and improving the lot of the people. In general, even if they are conservative, there are some signs that they have the necessary resources to pursue a more assertive foreign policy. Whatever policy they choose will be tempered with the desire not to be seen as the administration that lost Taiwan. Following Chen's election, President Hu

issued three instructions to improve the preparations for war, to promote dialogue and make proposals for re-unification. President Hu has also been to Latin America to engage in petroleum diplomacy not least with the prospect of pressurising those countries that currently recognise Taiwan to switch allegiance to Beijing.

Willem van Kemenade, China Analyst and Consultant, Beijing, raised questions about the impact on Asia-Pacific stability of developments in cross-strait relations. The visit of Singapore's Prime Minister Lee Hsien-Loong to Taiwan prompted a swift reaction from China who suspended negotiations on a free trade agreement. Taiwan should recognise that, under Chinese pressure, it can not have more than trade relations with other States - efforts to expand the trade link into diplomacy does not work.

The visit of Colin Powell to China also shocked the Taiwanese. Powell suggested there would be no US support for Taiwan if Taipei declared independence and that cross-strait problems should be resolved peacefully. In fact, the US has said that Taiwan does not have sovereignty. In South-East Asia, most governments see Taiwan as the trouble-maker. Apart from the Japanese ultra-right nationalists and the US neo-conservatives who want the US to launch a pre-emptive war against China to prevent its rise, most governments in the region believe that, sooner or later, Taiwan will have to return to China, just as Hong Kong did. If war across the strait does break out then this will probably be the result of an incorrect interpretation or a mis-statement of events.

### ***Good governance and transparency in China and Taiwan***

Liao Ran, Programme Officer, Transparency International, Berlin, said that, in terms of investment and money laundering, corruption could become so widespread that without action now China could suffer security problems. In 2003, China was the biggest recipient of foreign direct investment (FDI) worldwide, outpacing the United States. The structure of this FDI shows that in volume terms Hong Kong is the largest source followed by the Virgin Islands, Korea, Japan, the United States and then Taiwan, the Cayman Islands, Singapore and Samoa. The Virgin Islands accounts for 1% of China's total FDI. In reality most of the money is coming from China and Taiwan, moving in a circle to accrue tax benefits. The procedure is complicated as there is no formal cross-strait financial mechanism. The legal and illegal transfers of money which can take place through drugs, smuggling or the black market poses threats to China's social and economic progress. The illegal money could threaten the legitimacy of the Chinese State and the concept of Party control, undermine the privatisation process and distort economic policy.



Professor Thomas Hart, School of Asian Studies, Stockholm School of Economics, addressed Taiwan's bid for membership or observer status in the World Health organisation (WHO) and the United Nations. After being excluded from organisations that it helped to establish in the post-war period, by the 1990's when the process of democratisation was underway on the island, Taiwan began to assert its claim for representation. 2004 witnessed Taiwan's twelfth successive failure to be admitted to the UN and the eighth failure at the WHO. Recognising that most countries accept mainland China's status, Taiwan prefers to couch its application not in terms of a sovereign government but more in terms of the right of "peoples" to be represented in the UN. In contrast, Beijing insists that it has the right to represent both the mainland and the island. It is unreasonable that China demands foreign governments respect its one-China principle. China is manipulating its current power balance to pursue objectives against Taiwan and threatens war if those objectives are not met.

### ***China, Taiwan in the international community***

Professor Wong Ming-Hsien, Institute for Strategic Studies, Tamkang University Taipei, said that following the collapse of the Soviet Union, China identified three changes in the international security environment. This included the move from possible world wars towards regional or local wars, secondly, that a US-dominated uni-polar world can contain multipolarities and, thirdly, that the military gap between the West and China has not diminished. To react to this environment, China has two strategies. The defensive strategy sees China trying to prevent military conflict or non-traditional security crises. The offensive strategy sees China trying to benefit from crises that arise in response to post-Cold War threats. China's reliance on missile technology to protect its security environment has implications for cross-strait relations. In the event of war, China would probably attack important political, military, economic and infrastructure targets while air and naval forces try to obtain supremacy to allow troops to invade. Apart from implications for Taiwan, China's missile development also threatens the Asia-Pacific region. A collective security mechanism for the region should be launched without delay. The six-party talks on North Korea could be a model for China-Taiwan to help regionalise and internationalise the straits question.

### ***Recommendations from Madrid***

It was suggested that political accommodation across the Taiwan strait is unlikely in the short term. Some of the prerequisites for promoting accommodation, such as political, military, economic and regional factors are missing or underdeveloped. With political confidence

missing, the impact of economic integration will be limited. Outside the region, the role of the United States remains vital. At the moment, Washington would like to preserve the *status quo* rather than promote the eventual unification of the two countries. A link between money and health in cross-strait relations was proposed. With Taiwan's unresolved international status and the dearth of official links between the mainland and the island, the role of unofficial or illegal links takes precedence. Primarily, these links relate to money but owe their nature to the absence of a legal framework for Taiwan's participation in international organisations, including, for example, the World Health Organisation.

In conclusion, it was noted that, in order to continue to develop economically at the current rate, China would need further legal and political reforms. This will include integrating further with the countries of the region, including Taiwan, from which it needs investment and high-technology. Sooner, rather than later, China will have to address questions relating to intellectual property rights and exploiting its membership of the World Trade Organisation. In political terms, China seeks democracy but with Chinese characteristics and probably not on Taiwanese-style terms. China's missile development programme will do nothing to help promote contact or integration. Unless Beijing re-adopts the concept of 'peaceful rise' the consequences for both China and the region would be catastrophic. ■

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## EU-US security policy in Asia

by Dr Sebastian Bersick

Every December, the Waldbroel Group on the 'European and Euro-Atlantic Co-ordination of Security Policies *vis-à-vis* the Asia-Pacific' meets in the German Institute for International and Security Affairs (*Stiftung für Wissenschaft und Politik, SWP*). For its 7<sup>th</sup> meeting, some sixty American and European experts on Asian security affairs came to Berlin for a two-day conference which discussed three broad issues: firstly, the Pacific-Asian Regional Security Architecture; secondly, European and American Strategies and Relations with China; and, thirdly, Non-Military Security Challenges in Pacific-Asia and their implications for the US and Europe.

The first issue to be discussed was the US Global Defense Posture Review (GDPR) and the implications for the Security Architecture in the Asia-Pacific Region. Evian Medeiros from the RAND Corporation gave a presentation which underlined the importance of Asia to US global military operations. The overall goals of the new US defense posture in Asia are: (a) to prepare better the US for regional contingencies in Korea, the Taiwan Strait and to conduct counter-terrorism operations, (b) to renovate the US alliances in Asia through an increase in interoperability, the reduction of tension, stresses and unhealthy dependencies, (3) to increase US interactions with other regional security partners, (4) to overcome the lack of sufficient access to South Asia and South-East Asia, since the current US military presence is mostly located in North-East Asia.

As a result, the overall changes in US force posture in Asia will be a consolidation and rationalisation of troops, facilities and headquarters in Japan and South Korea, a massive increase of forward deployment of naval and air force capabilities in Guam and the establishment of nodes for Special Operation Forces and other contingency operations, especially in South-East Asia. Furthermore, the US will institutionalise bilateral security co-operation with Singapore (Strategic Framework Agreement) and perhaps with India and Mongolia and will generally expand military and security co-operation with Malaysia, India, Indonesia, Vietnam and Taiwan.

The regional security implications of the changing US force posture in Asia are manifold and range from short-term tensions within alliances to future tensions as US troops in host countries will be used for so-called expeditionary operations in Asia or other regions. China's reaction to US GDPR will be a critical variable in the future since the Chinese may forge bilateral political relationships with South-East Asian nations. The Discussant pointed to the inherent danger

that China might increase its defence capabilities beyond the current level. In the following discussion, a US expert explained that "strategic issues like North Korea and China and not the global war on terrorism are the reason for the US GDPR".

Through so-called Co-operative Security Location (CSL) agreements, no US bases are needed and the "footprint of the US will be reduced so that local resistance to the US troops does not arise". A European participant remarked, "the real problems and dangers lie with India" and its future role for Asian security. This is why, replied an American colleague, the "US is very active in forging a strategic partnership with India". Moreover, a need for a broader US South-East Asia strategy exists and "the US is coming up with a diplomatic strategy" that entails bilateral diplomacy and technical aspects, especially the forging of CSL agreements.

In his presentation on 'European and American Strategies and Relations with China' Prof. François Godement (Paris) emphasised that no symmetry between Europe and US relations with China exists. We witness "a strategic triangle without strategic relations" since the "overall EU trend towards China is no strategy". Accordingly, the EU policy on China is not a single policy but, at best, a cluster or trend of opinions. Nevertheless, the speaker sees "a EurAsian trend in China to counter the US that goes beyond multipolarity" and criticises that, at the EU level, the overall approach to China is based on trade issues and not on security or human rights issues.

At the intergovernmental level, the Chinese are pushing hard for an end to the EU arms embargo. The speaker stressed this development as critical, especially since China's EU strategy from 2003 is "a laundry list and a catalogue of interest of military relations" which aims at turning away the EU from human right issues, legitimising the one-China policy on Taiwan and Tibet and, lastly, achieving the status of a market economy. The soft power EU "doesn't know how to deal with the hard power China".

The Discussant identified different strategies on the American and the European side. The former "sees China as a rising strategic actor" whereas the later "sees China as a country in transition that needs help". He describes Europe's China strategy as consisting of four elements: to engage China multilaterally on the global level, to engage China bilaterally on the EU and national level, to assist China's capacity building (civil society, environment *et cetera*) and to receive commercial advantage. In his view, EU-China relations are going to flourish for two reasons: no Taiwan problem exists in the EU and the EU has no security interests in East Asia. Overall, the US needs to invest more resources in order to understand EU-China relations.



America's China strategy differs from the European. It aims at the integration of China into the international order and encompasses several elements, *inter alia*, the strengthening of bilateral ties at all levels of government and society, the domestic liberalisation of China and moving to a peaceful resolution of the Taiwan issue. "China and the US have similar regional security approaches" and therefore co-operate on regional issues. The main question that arises is how the EU and US strategies on China can "converge".

The presentation on 'Non-Military security challenges in Pacific-Asia and their implications for the US and Europe' by an American expert emphasised several issue clusters: the rise of China, the China-Taiwan relationship, the threat of democracy, the threat of nationalism, the managing/supporting of Japan's emergence as a normal nation, the managing of Russia's (re-)emergence, the countering of the proliferation of WMD, the countering of trans-national crime, piracy, smuggling, counter-terrorism, *ad hoc* versus institutionalised multilateralism, the dealing with radical Islamic fundamentalism, human security concerns and, finally, exclusive Asian regionalism.

Of all these issues, the presenter assessed "the managing of the political and economic rise of Asia in general and China in particular" as the "greatest non-military security challenge that confronts the USA and Europe". Though he sees the danger and "tendency of some Asian actors to try to play Europe and the USA against one another" he generally acknowledges the existence of "significant opportunities in Asia" for US-European co-operation and co-ordination in dealing with non-military or non-traditional security challenges, "despite obvious economic and political competition." In the discussion, one American reasoned that since Europe "is not a player in Asia" the USA feels no need "to deal with Europe on Asia". Furthermore, "American officials don't travel to Europe". This is why the USA would be "happy", if the EU travelled to Washington DC". In response, a European diplomat concluded that Europeans get appointments in Washington DC and are listened to "but a real dialogue does not take place".

The meeting made apparent the factual, conceptual and intellectual void between the USA and the EU on the transformation processes taking place in Asia. Though the participants of the track-two meeting agreed on a common description of a rapidly changing Asia the discussions were not constructive in the sense that solutions or ideas were brought forward how to unite the strategic discussions. Without the institutionalisation of an USA-EU dialogue on Asian affairs at the track-one level, the general trend of deepening EU-China relations will widen the transatlantic divide further. ■

Dr Sebastian Bersick is EIAS Research Fellow.

## South-East Asian Security: Challenges and Structures

by Dr Sebastian Bersick

The third Europe-South-East Asia Forum 'South-East Asian Security: Challenges and Structures' was jointly organised by the 'Stiftung für Wissenschaft und Politik (SWP)', Berlin, the 'Centre for Strategic and International Studies', Jakarta, and the Federal Ministry of Defence, Berlin, between 13<sup>th</sup>-15<sup>th</sup> December.

On the first day, five panels dealt with the nature of South-East Asian security challenges. The first speaker argued that a convergence of security challenges in South-East Asia and the OECD-world exists, though the way they are handled differs. In contrast to the OECD world in which "world security is increasingly viewed as a common good and non-security challenges are tackled by regime building" only little progress has been made in South-East Asia. Though ASEAN "has been moving from concepts of national security to collective security" the realists' paradigm of security being informed by the concept of power balancing and the principle of national sovereignty dominates South-East Asian security discourse. An Asian participant argued that the main concern in South-East Asia was not the threat of terrorism or non-proliferation but "the basis of non-traditional security issues like the absence of good governance".

The next speakers presented case studies on the situations in Indonesia, East-Timor, the Philippines and Burma. A speaker from Indonesia assessed threats to the national integrity, like social and territorial integrity, as the "most dramatic threat to Indonesia". At the same time, the expert pointed to a perceptual change in Indonesia towards China. The fear of becoming dominated by China explains why the Indonesian government is opposing the (Malaysian) idea of an East-Asian Summit in 2005. Referring to the issue of the so-called root causes of terrorism the speaker differentiated between three groups whose combination form root causes of terrorism: basic root causes (the basic condition for grievances like poverty and social injustice), the "integration of Islam itself" which plays an important role in shaping views, and triggering forces of root causes of terrorism (grievances exist and they reinforce, for example, conspiracy theories about the West attacking Islam).

The speaker on East-Timor analysed the internal and external aspects of building a security sector. Because of the poor performance of the economy, poverty, high unemployment, and tensions between the police and the army internal threats are imminent. External threats

are low though and need to be addressed by diplomatic efforts, that is, building solid relations with Australia, Indonesia and ASEAN of which East-Timor should become a member. The speaker underlined the need for a continued presence of the UN “well into 2007” to enable a “smooth transition process” of the young political system. Economic problems and “the rising social dissatisfaction” as well as the use of the expected money from the oil fields in the Timorese sea were part of the following discussion. As the speaker then pointed out international aid has had so far “a relatively small effect” on the economic development.

Analysing the security context of the Philippines, a speaker underscored a number of internal and external security challenges. The political stability of the Philippines is still endangered by Islamic and communist insurgents, though peace talks are taking place. Furthermore, the growing budget deficit and resulting fiscal crisis undermine the political stability. “The perception of widespread corruption undermines the effectiveness of the armed forces more than inadequate resources and funding”. During the discussion, non-domestic issues dominated and comments concentrated on the new China policy the government of President Macapagal-Arroyo pursues by “playing the China card” while reassessing its ties with the USA. A US expert opined that Americans are very concerned on this move and asked “where will this regionalism and engagement of China end?”

In the case study on Burma, the speaker considered that the sanction strategies of the EU and US, alongside ASEAN’s strategy of constructive engagement, have failed. He proposed three elements of a new strategy. Firstly, to address security risks, “a common platform through the UN” would hinder the junta playing-off China, India, ASEAN, the EU and the US against each other. Secondly, the socio-economic system of Burma should become a target of constructive engagement. Thirdly, the goal of any Burma policy should be a transformation of the system, since peaceful change will only be possible with the co-operation of “a large number of those who hold responsibility today”. An Asian expert proposed that ASEAN should freeze the membership of Burma “if the government does not voluntarily pass the Presidency in 2006”.

On the second day, the nature of South-East Asian security structures were dealt with in three sessions. A speaker from Singapore analysed the context and emphasised the progress in ASEAN institution building with the goal to institute an ASEAN Community by 2020 that encompasses an ASEAN Economic Community, a Security Community and a Socio-Cultural Community. These are indicators that ASEAN is moving towards “a community with modalities that extend beyond those of the ASEAN-way”. The new developments “encourage a wider and deeper type of regional co-operation that would be considered as

intrusive to the domestic affairs of the state”. A US expert opined that they would use “pressure on ASEAN to accelerate the idea of ASEAN unity”.

One UK speaker concentrated on the role of external powers in South-East Asia. Analysing China’s increasing engagement in the region he underscored Beijing’s aim to “heighten the legitimacy of its role in regional security while minimising or excluding that of the USA”. America functions as a “regional balancer” thereby facilitating an ASEAN hedge-policy towards China. But the support by ASEAN countries for the so-called Global War on Terrorism differs. While security relations between the US and Singapore, Thailand and the Philippines have intensified, resentments are growing in Malaysia and Indonesia. Instead of relying on external countries’ actual or potential regional security roles, “regionalist impulses” by ASEAN countries call for “self management of security”.

Those impulses have found their expression in Indonesia’s idea of an ASEAN Security Community. For the time being, the governments in South-East Asia “above all seek to avoid having to choose between siding with either the Chinese or the Americans”. The discussant from Singapore underscored that in the long-run soft-power, rather than hard-power, will be more important in the region.

The role of the EU was analysed by a participant from Belgium who concluded that the European Commission “wishes to play a full part in support of concerted efforts to address a series of threats that affect Europe and Asia alike”. Pointing to the fact that the EU-25 spend €160bn on defence and to the European Security Strategy, the speaker described the EU’s role in the ARF and ASEM. He underscored that the EU can act on the non-traditional security spectrum and that an inter-regional institution like the Asia-Europe Meeting (ASEM process) “reinforces” the EU-US dialogue on Asia. The Asian discussant opined that there is a role for the EU to enhance South-East Asian capacities and that Europe should manage to “export its peace dividend to Asia” by developing its soft-powers.

The panel debate on a possible South-East Asian security complex concentrated on the security implications of Islam and Asian regionalism. It started with an analysis of the recent Muslim unrest in Thailand. A Thai expert suggested that “religion is not at the core” of the conflict but ignorance of the central government towards the culture in the South of Thailand and the Prime Minister, Thaksin Shinawatra, “doesn’t really know what is going on there”. The closing remarks by the Asian chair concluded: “South-East Asia is not complete without mentioning North-East Asia because we are in the process of building an East Asian Community. ■

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