

Priorities for EU Diplomacy in East Asia

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Let me begin by thanking Professor Narushige Michishita for his introduction and the Graduate Institute for Policy Studies (GRIPS) for giving me this opportunity to speak about the priorities for EU diplomacy in East Asia.

1. The new geostrategic context

Before I get into that, I would like to begin by setting out the wider context: how we see trends in and around the region and how these affect our policy options and choices.

The starting point for any discussion of this type has to be a recognition that the rise, or better the re-emergence, of Asia is one of the mega-trends shaping our world. Asia is home to the world's fastest growing economies; it is experiencing rapidly changing political dynamics and, as a result, it has rising global significance and influence.

As Japan knows well, growth rates across the region are of course affected by the global economic slow down. But still, and in comparative terms, this region is full of energy and confidence on the back of a decade, and more, of producing ever more impressive statistics on growth, trade, investment, science and technology.

The key driving force behind all this has been that ever larger number of people in Asia have been able to satisfy that core human aspiration: to shape your own life. The rise and changing shape of Asia is a systemic development. It is, quite literally, changing our world.

Since 1945, the role of the US in the region has been crucial, ensuring overall stability and security, including through its alliance with Japan. Recently there has been much talk about the so-called Obama "pivot" or, now, the "re-balancing" of US attention and resources, from the wider Middle East to the Asia Pacific. The reasons behind the rebalancing are obvious and have intrinsic logic. The overall stated aim, as you know, is to strengthen regional and multilateral structures to manage the big political and security changes that are underway, including the embedding of a rising China into a regional and global set of norms and institutions.

China is of course a crucial partner for all of us. Its growth rate has been phenomenal and well-documented. Its regional and global impact is rising in tandem. As we speak, a new leadership in China is settling in and it will have to grapple with a number of pressing internal challenges (corruption, pollution, growth, expectation management). Elsewhere in the region too there have recently been important leadership changes.

Here in Japan of course but also South Korea. And important elections are set to come in Pakistan, India, Indonesia. So, the overall landscape in Asia is changing fast and we need to factor these changes into our policy deliberations.

We all know that Asia has long contained some of the world's critical potential flashpoints: the Korean peninsula, India-Pakistan, several territorial and maritime disputes, including those in the South China Sea and East Asia. What we are seeing now is a rise in tensions everywhere. Take the latest missile test by the DPRK and today's nuclear test; deadly border skirmishes between India and Pakistan last month; and almost every day there are new developments in the East and South China Sea. Arms sales across the region are rising which is generally not a huge sign of people's confidence in overall regional security. It is significant that last year for the first time, defence spending in Asia exceeded that in Europe.

The striking thing in Asia are two parallel truths: Asia is characterised by deep economic integration (in terms of production and supply chains) but also by deep underlying, and indeed growing, political and security tensions. To this one must add the absence of an agreed and strong set of rules, norms and institutions to manage these growing tensions. Nationalism is on the rise. Regional integration is under pressure, starting with ASEAN. Some point to the growing risks of a bipolar regional dynamic and a trend where security tensions are spilling over into economic realm. Here in Japan, people of course remember how tensions last year with China over the East China Sea affected business in terms of car sales, flights and so on.

2. Why Asia matters to Europe

All this directly affects European interests. Economically, through our trade and investment relations. As you know, the EU is the world's biggest market and trading bloc. What fewer people know is that Asia has surpassed NAFTA to become the EU's main trading partner, accounting for a third of total trade and this figure continues to grow. China alone is the EU's second biggest trading partner (after the US). Japan and ASEAN as a group are in the top five. In terms of investment, arguably a better indicator of health and significance of an economic relationship, more than 26% of EU outward investment is going to Asia while inward investment is growing fast.

So Asia matters to Europe - and will do so even more in the future. In economic terms we know that recovery at home depends on the ability to harness growth and open new markets many of which are in Asia.

With South Korea we have concluded an FTA, now applied for more than a year and which has boosted trade by several billion euro. We have just concluded an ambitious FTA with Singapore; while talks are on-going with India, Vietnam and Malaysia. We are about to launch FTA negotiations with Japan and are in an exploratory phase with Thailand and Indonesia.

But Asia also matters to Europe in political and security terms: we have 4 of our most important 'strategic partners' in the region; the engagement of the biggest actors in Asia will be essential if we are to tackle global challenges like climate change; piracy, non-proliferation; freedom of navigation in South China Sea with 50% of world trade in

tonnage passing through, Afghanistan after 2014: all these issues and challenges affect EU interests.

3. Why Europe matters to Asia

So it is logical that the EU is building up its engagement in and with Asia. For the truth is that Europe also matters to Asia. Asia's future growth depends on access to our markets. The euro-crisis is actually underlining our basic inter-dependence and our shared interest in promoting a global recovery.

Despite the slow recovery of its economy, the EU remains the largest economy in the world, with a per capita GDP of €25 000 for its 500 million consumers. That represents a €12.6 trillion economy. Only the United States (€11.5 trillion) is in the same league. The EU and its Member States remain the largest overall donor of official development aid with around €53 billion per year (2011 figures). As Asia contains some of the world's poorest and most vulnerable, the enduring importance of Europe as a development partner is clear.

Now, it is true that we as EU don't have a leading role on the headline, hard security issues, given the absence of major military assets or bases in the region. But in a way this is perhaps also an asset. The region perhaps doesn't need another hard security player; our added value is different. We are seen as engaged but not threatening; active but without a geo-political agenda. Perhaps the greatest value of the EU is to act as a principled champion of rules-based, co-operative security.

For all its faults – and they are many - the EU is seen by many as a model for reconciliation and regional integration. The single market remains a huge pole of attraction. We have steadily enlarged a rule-based Community of democracies, from 6 to 12, 15, 25, 27 and soon 28 countries. Our inclusive approach to democracy, human rights and the rule of law strikes a chord with the growing number of democracies from established ones like Japan and India to newer ones like Korea and Indonesia.

I also think that as EU we have a good track record of innovative, integrated strategies on the new security issues that are increasingly dominating the international agenda. The way we operate internally and hence project externally is perhaps not very glamorous; our rhetoric is rarely stirring; we don't do shock and awe. But that's also the point.

We do things others sometimes find difficult. And we do things in a different way. Before comprehensive strategies or three Ds (defence, diplomacy, development) became fashionable, the EU was already doing it. Take our approach on piracy where we not only have a very successful naval operation, Atlanta, but are active both on and off-shore with training, capacity building, judicial reform, working with regional partners.

Everybody knows that in the next 10 years we'll have to spend much more attention on problems of scarcity, partly driven by climate change. Energy and natural resources, including rare earths, will be more debated and in some cases contested, especially where access is politicised. Cyber security is another obvious "growth area".

For none of these is there a military solution; nor is it a question of "just getting the markets to work"; nor will traditional development policy be the answer. The problems are more complex and more interconnected. They require more creative thinking about security; bringing together different constellations of countries, organisations and people together. Whatever weaknesses we may have, this is a core EU strength.

So framing this kind of integrated solutions forms growing part of our engagement with and in Asia. Doing things differently; addressing security challenges the modern way.

4. A full agenda

If this is the bigger backdrop and the overall thrust of EU engagement, allow me to run quickly through some of the more concrete things the EU has been doing recently. For us, 2012 was a year in which we there was a step change in the EU's engagement in and with the Asia-Pacific region, both in terms of presence and policies.

Key milestones include:

- An unprecedented number of visits by the Presidents of the European Council and Commission, Van Rompuy and Barroso but also High Representative Cathy Ashton (5 times in one year) and various European Commissioners;
- Four bilateral Asian Summits including two with China in one year, but also Korea and India. With Japan we will have the first Summit of 2013 with an Asian partner.
- The ASEM Summit last November was attended by more than 35 Heads of State and Government thus proving the enduring importance both Asians and Europeans attach to their informal dialogue;
- HR/VP Ashton chairing the Brunei Ministerial, charting a new course for EU-ASEAN relations, both more ambitious and more political at the same time.
- Her signing the EU's accession to the Treat of Amity and Cooperation and representing the EU at the ASEAN Regional Forum;
- The joint EU-US statement on cooperation in and with the Asia-Pacific region issued by HR Ashton and Secretary Clinton in July;
- A new, forward-leaning approach to support the transition in Myanmar,
- Plus policy initiatives with India, Australia and others to cooperate on new security issues (piracy, cyber etc.) as well as on-going negotiations to deepen our formal relations through a series of PCAs and Framework Agreements.

Thus, we have not just heeded the persistent calls – not least from Asians themselves - for greater EU presence but also begun to implement more creative, joined up policy-making.

For 2013 we intend to keep up the momentum. With respect to our Strategic Partners, we intend to launch negotiations for a Free Trade Agreement and a Framework Agreement with **Japan** at the next summit.

The 16th Summit with **China**, likely to be held in the autumn, will be the first one with the new Chinese leadership. Engaging that new leadership and developing our efforts on regional and international issues, market access; investment, but also issues like urbanisation or water and energy security are all hugely important. The EU is strongly committed to the EU-China Comprehensive Strategic Partnership. In common with

other major international actors the EU is active in engaging China in an inter-dependent way.

With the **Republic of Korea** we will be celebrating fifty years of diplomatic relations which will be a good occasion to deepen the political relationship further. On a number of crucial issues such as counter-piracy, green growth or modern development policy, South Korea is a very dynamic player with considerable assets.

With **India** we aim to finalise the negotiations for an ambitious FTA as well as further building up the political and security dimension of the relationship, where we are steadily expanding our cooperation on counter-terrorism, counter-piracy, cyber security, to name a few.

With respect to **Afghanistan**, the state-building we are engaged with remains the main avenue to promote stability and prepare the post-2014 transition. The EU and its Member-States are supporting the transition in Afghanistan with more than 1 bn euro a year. Regarding **Pakistan**, crucial elections are expected this spring in which we hope to see one civilian, democratic government being succeeded by another civilian democratically elected government. The EU Election Observation Mission will play an important role. The EU is particularly active supporting reforms in the justice sector and with expanding cooperation in counter-terrorism, counter-radicalisation and non-proliferation.

With **Myanmar** the EU's main objective is to deepen support for the political reform process underway, working both with the government – President Thein Sein will be visiting Brussels early March - and the opposition, recognising full well the special place Aung San Suu Kyi has. Concrete avenues include EU support in the area of ethnic peace; the restoration of GSP where a formal proposal is now working itself through the EU; a decision at the end of April on the now suspended sanctions and the mapping of our assistance for the all-important 2015 elections. We are upgrading our office to a formal Delegation.

5. EU-Japan

Before turning to the EU's engagement and objectives for the various regional fora, let me say a way about EU-Japan relations.

Japan is a natural partner for the EU. We are democracies, we share common values and interests, we are largely civilian powers – but are increasingly willing to deploy military assets abroad for peace and stability. We believe in rules-based, effective multilateralism to respond to global challenges like climate change and sustainable development. Given our combined global economic weight and international standing, we have a common interest and responsibility to show joint leadership on these issues.

We have not always been able to translate this closeness into joint positions and concrete actions, showing there is much “untapped potential” in the relationship. At the May 2011 EU–Japan Summit, leaders decided to “comprehensively strengthen all aspects of the EU-Japan relationship”. This means not only a possible Free Trade Agreement but also a comprehensive agreement on political, global and sectoral cooperation - what the EU calls a Framework Agreement. Negotiations for these two parallel agreements have not yet started but in November EU Member States indicated their interest in launching such negotiations at the next EU-Japan Summit. In

view of common difficulties in a challenging global economic and financial environment we should work hard to see if we can give what has the potential to be a major boost to reviving our economies.

Such a Framework Agreement would recognise the already good level of cooperation between the EU and Japan in a whole host of political, global and technical matters and provide the architecture for both sides to deepen this interaction considerably in the future. Following the March 2011 Great East Japan Earthquake we have collaborated in the fields of nuclear safety and are preparing to embark on a new joint action in the area of humanitarian assistance. In the security field the EU has anti-piracy expertise and has deployed assets to the Indian Ocean which are operating in parallel with Japan's own vessels in the region, an exercise that is mutually reinforcing our common interest in keeping vital sea lanes open. Indeed this issue was included in PM Abe's inaugural speech and it would be a natural topic for the EU and Japan to explore closer cooperation.

As we have seen in the recent terrorist attack a gas complex in Algeria, both our citizens face new, complex and transnational threats in what used to be safe parts of the world. I express my condolences to the families of the 10 dead Japan nationals in a crisis that saw the deaths of at least 39 foreign hostages. This incident shows the importance of close international cooperation in a crisis situation, the effective sharing of information a common effort amongst us to bolster counter-terrorism capabilities, especially in the countries most at risk. In this context we welcome Japan's indication that it wishes to support the international effort to bring stability to Mali by supporting refugee and humanitarian activity.

Both the EU and Japan have a common interest in ensuring the dismantlement of Iran and North Korea's nuclear weapons programmes. Cooperation in non-traditional security threats, notably cyber security, should be developed further given both our dependence on information technology systems. In the area of development policy cooperation, the EU and Japan have both played key roles in the change we are seeing in Burma/Myanmar and must continue to align our positions closely if we are to have the maximum possible impact on the emerging democracy.

6. EU engagement with key regional fora

Given its own DNA and the importance we attach to strengthening the regional architecture, the EU is keen to play a very active role in the various regional fora. A central part of this agenda is to step up our engagement with ASEAN. Like Japan, we believe that a united and self-confident ASEAN, proceeding with its own integration and able to transcend binary strategic choices, is good for regional stability, security and prosperity – and hence good for us.

We feel we have certain experiences to share as like-minded regional integration project. On what works and also on what does not. Therefore, we are offering technical and financial support, as they seek to realise specific integration goals across their three Communities.

Connectivity, as you know, is one of their key mobilising concepts and it is an area where the EU is in quite a unique place to be a peer supporter. Not a "service

provider" but a "knowledge provider (on setting the policy framework or PPP/innovative finance).

We are particularly keen to expand cooperation on non-traditional security issues such as disaster response where the EU is supporting the ASEAN Humanitarian Assistance Centre. We are also working with ASEAN on modern border management and maritime cooperation. As we scale up this relationship we are mindful, like Japan, of the need to also strengthen the ASEAN Secretariat.

Linked to all this is a set of activities we are developing in the context of the ASEAN Regional Forum (ARF), for instance on disaster management and the major exercise that is being prepared to take place in Thailand in May but also on preventive diplomacy,

We often hear from our Asian friends and partners, including here in Japan, that they wish to see greater EU engagement and presence in the area of Asian political and security affairs. My answer is: we do too – and we are. Because it is in our interest to do so and because we believe we have particular contribution to make to the evolving regional security architecture.

We are upping our presence wherever we can, bilaterally and regionally, including where the EU is, at present, not yet a member such as in the East Asian Summit and where we count on all those that so often call for greater EU engagement, to help facilitate that.

7. Conclusion – strong economies, fragile security

I would like to end with something that Kevin Rudd once said that struck a chord in a speech he gave in New York in January 2012:

"Asia is home to all the world's hopes for the 21st century global economy while handicapped by all the rigidities of an almost 19th century set of territorial and security policy disagreements".

This is no doubt true. But the key thing is also that this can be remedied. We as EU have a huge stake in helping to build up a robust multilateral and rules-based security order in Asia.

We have relevant experiences and assets to offer. And it is manifestly in our common interest to do so.

Thank you very much