



**Summary:** This paper offers a reflection on which strategic posture the EU might adopt in the Asia-Pacific, complementing the U.S. presence in the area. It starts from the main premise that the EU and the United States are indispensable partners defending shared values and liberal democratic principles. This paper contends that Europe's "Asian" interests are mainly economic in nature and that the EU needs to further strengthen its ties with regional actors, as well as with ASEAN. The paper concludes by discussing China's extensive presence and vested interests in Africa, which could be used as a strategic point of leverage by the EU.

## Europe's Eastward Gaze: How Far Should It Reach?

by *Frédéric Van Kerrebroeck*

### Introduction

This paper offers a reflection on which strategic posture the European Union (EU) might adopt in the Asia-Pacific, complementing the U.S. presence in the area. It starts from the main premise that the EU and the United States are indispensable partners defending shared values and liberal democratic principles. European backing to the U.S. presence in the region is thus a straightforward consequence of the transatlantic partnership. This paper contends that Europe's "Asian" interests are mainly economic in nature and that the EU needs to further strengthen its ties with regional actors, as well as with the Association of South East Asian Nations (ASEAN). As to China, the European Commission should continue to exercise caution, as well as assertiveness in its trade dealings with Beijing, as trade is the EU's only credible point of leverage. Militarily, the EU would only be able to bolster a Pacific naval presence that is symbolic at most. That is why the EU should exercise firm control over its own region where it can still augment its credibility. At the same time, French and British naval bases in the Indian Ocean should be fully used for a forward-leaning Euro-

pean naval presence, which could offer the possibility for the EU to participate in joint naval exercises including all regional actors. The paper concludes by discussing China's extensive presence and vested interests in Africa, which could be used as a strategic point of leverage by the EU. Yet, in order to be credible, the EU must make sure its member states speak with a single voice, which may prove to be the greatest challenge of all.

### Foundation of EU involvement in East Asia

In July 2012, High Representative of the EU for Foreign Affairs and Security Policy Lady Catherine Ashton, representing the European External Action Service (EEAS), and then U.S. Secretary of State Hillary Rodham Clinton, issued a joint statement on the Asia-Pacific, heralding an era in which the region will become a topic of growing cooperation between Washington and Brussels.<sup>1</sup> The push for increased European involvement in the Asia-Pacific region, together with Washington, has resulted from three factors.

1 Nicola Casarini, *EU Foreign Policy in the Asia Pacific: Striking the Right Balance between the U.S., China, and ASEAN* (Brussels: European Union Institute for Security Studies, 2012), 1-2.

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First, in today's interconnected and globalized world, the EU can no longer afford to remain focused on its own region and neighborhood. Events such as growing instability on the Korean Peninsula, maritime and territorial tensions in the South China Sea, the safety of international shipping lanes, and an increasingly powerful China affect the EU's geostrategic and economic interests to a considerable extent.

Second, Europe has a long-standing tradition of diplomatic, political, cultural, military, and economic ties with most countries in East Asia. These ties in many cases precede those fostered in the area by the United States and continue today, albeit predominantly on a bilateral basis between Asian countries and member states. However, the EU as a foreign policy actor has also gained a foothold in the Asia-Pacific. Next to the embassies of its member states, European diplomatic delegations have been established all over the region, as well as in regional organizations such as the Association of Southeast Asian Nations (ASEAN).

Third, Europe and the United States remain natural and indispensable partners. Both powers adhere to the same values, such as the rule of law, democracy, human rights, peace, stability, and the virtues of the free market. Hence, as the United States has started to rebalance to the Asia-Pacific region, Europe should follow suit and deliver the necessary backing to its U.S. ally.

## The Economic Dimension

### *State of EU Economic Ties in East Asia*

In addition to historically long-standing diplomatic and economic bilateral ties between European states and countries in East and South East Asia, the EU has increasingly gained a foothold as an actor in the region. The EU's presence is first and foremost an economic one. Nearly 28 percent of the EU's total trade stems from East Asia, with China being Europe's second largest trading partner, and representing the EU's largest bilateral trade deficit.<sup>2</sup> ASEAN makes up 5.2 percent of the EU's total trade and Japan 3.8 percent.<sup>3</sup> East Asian investment into the EU is rising exponentially, with China, Japan, and Singapore at the forefront. In addition, the EU is in the process of negotiating free

<sup>2</sup> Council of the European Union, "Guidelines on the EU's Foreign and Security Policy" (Brussels: EU, 2012), 3-4

<sup>3</sup> Council of the European Union, "Guidelines," 3

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trade agreements (FTA) with India, Singapore, Malaysia, Vietnam, Japan, and Thailand; a South Korea-EU FTA has provisionally entered into force.<sup>4</sup>

These agreements could have a significant impact on EU interests. Observers urge the EU to further expand its network of bilateral FTAs with individual countries while bearing in mind the goal of a bi-regional EU-ASEAN FTA. During Lady Ashton's most recent visit to Beijing, the Chinese government emphasized its desire to initiate FTA negotiations with the EU. As expected from a rising power adopting an export-driven growth model, China attaches great value to trade with the EU as well as with its member states. It thus comes as no surprise that China's assertiveness in pressing territorial claims is also evident in its trade relations with Europe. Also during Ashton's visit, Beijing clearly expressed its concern about the protectionist tendencies prevalent in certain member states with regards to imports and investments from China. It also openly questioned the planned FTA negotiations between the EU and the United States.

### *Tensions with China*

In fact, trade tensions between the EU and China are increasing. From Europe's perspective, China is a fast-growing economy that overtly subsidizes its own products, squeezing competitors out of the market and eventually dominating the market and setting prices. This dynamic is unfolding in the field of solar panels, telecommunication, semi-conductors, and a multitude of electronic equipment. Until recently, European markets were being flooded with cheap, state-subsidized Chinese solar panels. On June 4, the EU temporarily levied import tariffs amounting to 11.8 percent, sending a message that, if Brussels and Beijing fail to reach an agreement, the tariffs would be increased to a staggering 47.6 percent for the next five years.<sup>5</sup>

<sup>4</sup> European Commission, "Overview of FTA and Other Trade Negotiations" (Brussels: EU, 2013), 1-4

<sup>5</sup> "EU Imposes Provisional Anti-Dumping Tariffs on Chinese Solar Panels," last modified June 4, 2013, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=909>.

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Despite the clear signal, China clearly recognized and exploited the EU's inherent weakness with a strategy dating back to the Roman Empire: divide and conquer. The European Commission may back an assertive policy but its member states are far from unanimous on the matter. Countries such as Belgium and Germany remain reluctant to openly confront the Chinese, whereas countries such as France and Italy have adopted a more assertive position aligned with the European Commission. Beijing's answer was clear: it announced an investigation into the export of European wine to determine if the EU was not guilty of "dumping" its product on the Chinese market. Germany's main trading partner for the future will most likely be China, not the EU, so chances are slim that Germany will be spearheading a European riposte in any trade dispute with Beijing. France and Italy, on the other hand, as traditional wine exporters, are ready to defend their national interests, and are able to do so. The European Commission may have a great deal of competence in the realm of trade, yet any Member State can issue a veto preventing a permanent high tariff on solar panels if the coming months do not result in an agreement with the Chinese government.

## *Recommendations for Economic Engagement in Asia*

First, the EU must see to it that member states speak with one consolidated voice on trade issues, as trade is Europe's only credible point of leverage in the region. To achieve this goal, the European Commission should take more appropriate measures to align national points of view with those on a supranational level. For instance, member states that fear an infringement of their national core interests in an upcoming trade deal could engage in regular, informal dialogues with the Commission to draft a more coherent view and make sure that agreements involving the EU do not duplicate or conflict with bilateral accords.

Second, Europe must continue to send a clear signal to China that it will not tolerate measures that destabilize its economy. Beijing should adjust its export-driven growth model because it also exposes China's inherent weakness: the need for foreign cash. Chinese exports to Europe by far exceed those European exports to China. China clearly attaches a great deal of value to trade with Europe. Access to its large export market is the EU's most important leverage in negotiations with China, leverage that Brussels should not hesitate to utilize.

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Third, the EU should enhance economic ties with all regional actors, particularly ASEAN, to offer these countries a viable alternative to dependence on China, offsetting Beijing's local leverage in this field.

## **The Geostrategic Dimension**

How the EU can concretely complement the United States' growing commitment to East Asia is now hotly debated among policymakers, scholars, and academics. Although this debate is multifaceted, two distinct approaches have emerged as alternatives for Europe.

### *Options for Europe*

**Extended Neighborhood.** Some scholars identify three main corridors along which the ambitions of major powers gravitate: the Arctic Corridor, the Middle Corridor, and the Pacific Corridor.<sup>6</sup> One of these powers, the European Union, still has a long way to go in crafting a robust common defense policy. That is why some observers advocate for the EU formulating a coherent strategy and developing the requisite military capabilities tailored to its extended neighborhood. This would be the Middle Corridor connecting the Indian Ocean with the Near East, the Middle East, and Central Asia. An EU that exerts greater influence within its backyard could become a more reliable ally to the United States in the Straits of Hormuz and could fill in for Washington in the Middle Corridor as U.S. resources shift to the East. Such a strategy could form a new and necessary transatlantic division of labor as the EU simply lacks the capability to mount a credible presence in the Asia-Pacific.

6 Jonathan Holslag, "Crowded, connected and contested: security and peace in the Eurasian Sea and what it means for Europe" (Brussels: VUB, 2012), 6-9.

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**Global Focus.** On the other hand, there are those who favor a complete U.S.-EU alignment on all security issues in East Asia and count to a considerable extent on the U.S. naval presence to support the EU's foreign policy position if necessary. This perspective also entails a more extensive use of French and British naval bases in the Indian Ocean as strategic, and if necessary, offensive assets. As argued, despite the current climate of austerity, Europe should still invest in suitable naval capabilities to ensure a meaningful presence at its bases if it wants to use these facilities to project power to the East.

## *Toward an Indo-Pacific Strategy*

The most effective European approach, an Indo-Pacific rather than Asia-Pacific strategy, incorporates elements of both of these perspectives. As the EU and member states attempt to develop capabilities for collective use and determine how and when to deploy them, this emerging strategy should largely, but not exclusively, focus on the Middle Corridor. The EU should become a more reliable partner of Washington in tackling security challenges ranging from the Straits of Hormuz, to the Gulf of Aden, the Horn of Africa, and the eastern Mediterranean. This would not only augment the credibility of the EU's foreign policy, it would allow for a more balanced transatlantic sharing of the security burden.

More importantly, in the current climate of austerity and defense cuts, it is difficult to forge a stronger European defense at home, let alone mount a robust military presence in East Asia. Then again, one must not overlook the fact that France and the United Kingdom, both countries with rich naval histories and traditions, have forward operating bases in the Indian Ocean. A European naval presence could very well be enhanced from Djibouti to Abu Dhabi, from Reunion to Diego Garcia and even as far as Brunei. European vessels in the Indian Ocean would not only be able to backstop the United States in guaranteeing maritime security and free shipping lanes around the Middle Corridor, but could also play a more important role as a security guarantor in East Asia. This, however, would not entail European vessels steaming alongside a U.S. carrier group through the Malacca Straits, but involve a more stabilizing function, promoting the values of maritime security in a way involving all actors currently contending in the region.

Enhanced involvement at home or abroad, however, requires increasing the effectiveness and visibility of the EU's Common Security and Defense Policy. Up until now, this has remained an intergovernmental prerogative with modest, incremental progress. Yet, quick and tangible results must be produced if Europe is to remain geopolitically relevant in the century to come.

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## **EU Strategic Engagement in Asia**

To move toward a genuine Indo-Pacific strategy, the EU and its member states should take the following actions:

- **Strengthen EU diplomatic ties with regional actors.** Regional actors seem to be struggling to align themselves with either China or the United States and often reluctantly adopt a position on security or trade issues that does not necessarily serve their national interests. Countries such as Japan, the Philippines, Indonesia, Vietnam, Malaysia, as well as the regional grouping, ASEAN, have on numerous occasions expressed a desire for the EU to play a more outspoken role in the Asian-Pacific. In addition, the EU could serve as a model for regional integration and offer benchmarks and lessons learned in the resolution of maritime and territorial disputes. As such, the EU could be a welcome "third" next to China and the United States, while still defending the same values as its partner in Washington.
- **Invest in a stabilizing EU naval presence in the Indo-Pacific.** EU military cooperation in this geographic space entails investing in new naval capabilities to develop an increased presence in the Indian Ocean. The EU could organize joint naval exercises with regional actors such as China and the United States, not only as a confidence-building measure but also to promote a code of conduct in maritime disputes and respect for the principles of the United Nations Convention on the

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Law of the Sea. Compared to that of the United States, this military presence would be symbolic at most. Rather than trying to deter Beijing, which would be futile and cost the EU its credibility, this naval presence would serve to boost regional stability.

- **Utilize influence in Africa as a strategic asset.** A stronger presence in the Mediterranean and around the Horn of Africa would also backstop the EU's foreign policy in the Indo-Pacific. China has been exponentially augmenting its economic activities in Africa. Over 1 million Chinese expatriates are currently living and working in Africa, guaranteeing a steady flow of commerce to Beijing. Africa is also a region where the EU still has tangible influence, and Libya and Mali have demonstrated that the EU is able to underpin its foreign policy by concrete action. Given China's dependency on raw materials and commodities from the vast continent, it is worth exploring how Europe's influence there might translate into a strategic asset.

## Conclusion

Economically, trade is Europe's only significant point of leverage in its relations with China, and the EU should adopt a more assured stance vis-à-vis Beijing in ongoing trade disputes. Geostrategically, Europe should implement an "Indo-Pacific Strategy," building a stronger military presence in its extended region, which will in turn allow a more equitable burden sharing as Washington commits additional resources to the Far East. This would allow for a more balanced transatlantic division of labor and enable the EU to leverage China's dependency on African raw materials as a strategic asset. The EU should further increase its naval presence at its forward operating bases in the Indian Ocean, not as a deterrent, but as a tool for organizing joint naval exercises including regional actors. Such exercises, over time, could increase confidence among contenders in maritime disputes. Yet, as long as the EU remains divided, that lack of cohesion will be exploited as an inherent weakness by any actor opposing its domestic and foreign interests.

## About the Author

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## About the Young Strategists Forum

The Young Strategists Forum aims to develop a new generation of strategic thinkers in the United States, Europe, and Asia through a combination of seminars, simulations, and study tours. The project is led by transatlantic fellow Daniel M. Kliman with non-resident senior fellow Aaron Friedberg serving as faculty. The first Young Strategists Forum was convened in Japan with the support of the Sasakawa Peace Foundation. This initiative is part of GMF's Asia Program, which addresses the implications of Asia's rise for the West through a combination of convening, writing, strategic grants, study tours, fellowships, and partnerships with other institutions.

## About GMF

The German Marshall Fund of the United States (GMF) strengthens transatlantic cooperation on regional, national, and global challenges and opportunities in the spirit of the Marshall Plan. GMF does this by supporting individuals and institutions working in the transatlantic sphere, by convening leaders and members of the policy and business communities, by contributing research and analysis on transatlantic topics, and by providing exchange opportunities to foster renewed commitment to the transatlantic relationship. In addition, GMF supports a number of initiatives to strengthen democracies. Founded in 1972 as a non-partisan, non-profit organization through a gift from Germany as a permanent memorial to Marshall Plan assistance, GMF maintains a strong presence on both sides of the Atlantic. In addition to its headquarters in Washington, DC, GMF has offices in Berlin, Paris, Brussels, Belgrade, Ankara, Bucharest, Warsaw, and Tunis. GMF also has smaller representations in Bratislava, Turin, and Stockholm.

## About The Sasakawa Peace Foundation

The Sasakawa Peace Foundation (SPF) is a private non-profit organization established in September 1986. It seeks to contribute to the welfare of humanity and the sound development of international community, and thus to world peace, through activities that foster international interaction and cooperation.