



EUROPEAN
COUNCIL
ON FOREIGN
RELATIONS
ecfr.eu

POLICY
BRIEF

CHINA ON ASIA'S MIND

François Godement

SUMMARY

This brief is based on a study trip to Tokyo in June 2014, during which a group of ECFR's Council members met with a wide and distinguished group of interlocutors from Japan, South Korea, and elsewhere in Asia, and discussed how they see the future of the continent and its implications for Europe. What had often been predicted to be an "Asian century" is turning out to be one in which China is foremost in Asia's mind. Tensions in East Asia are becoming the new normal and it is increasingly clear that trade does not guarantee peace and stability. Europe can neither take Asia's stability for granted nor afford to be complacent about Asian security.

Europe would be implicated in a conflict in Asia, whether it likes it or not. In the short term, it risks being driven from one statement to the next as circumstances dictate without a deeper consensus between member states. France and the UK are particularly engaged in political and security co-operation with Japan, while some other member states uphold a view of European "neutrality" in Asia. Europe can no longer limit its role in Asia to that of a commercial or "soft" power. Instead, it must support negotiations within the framework of international law and play its role to maintain a stable security balance in the region.

Talk of an "Asian century" is increasingly overshadowed by speculation about the prospect or risk of a "Chinese century". China, India, Indonesia, and Japan will make up half of the world's GDP by 2030. The continent is becoming the global price maker for oil, iron ore, copper, and aluminium – China and South Korea alone make up 67 percent of the world's iron ore consumption. Speculative bubbles from China's currency reserves and runaway lending now drive global property markets and their excesses. China has amassed \$4.5 trillion of currency reserves – an amount that seems immense until one compares it with the estimated cost of Korean reunification – estimated at around \$5 to 6 trillion.¹ Its defence budget, which is becoming four times as large every 10 years, looks set to approach America's by 2030.

However, the Asia-Pacific region is deeply and increasingly divided – including in economic terms. In particular, a reordering of regional economic relations seems to be separating North-East Asia from South-East and South Asia. While South Korea and Taiwan are increasingly drawn into China's trade orbit, Japan is seeking to reduce a similar dependence on China by diversifying its foreign direct investment (FDI). Meanwhile, the Association of Southeast Asian Nations (ASEAN) is moving closer to a customs union, with a quarter of its trade now between member states (compared to 45 percent for intra-EU trade). China is ASEAN's largest trading partner with a

¹ Other estimates give lower figures. For instance, Peter Beck, a researcher at Stanford University, argued in 2010 that it would cost \$2–5 trillion to raise the income level of North Korea up to 80 percent of South Korea's for 30 years.

15 percent share but does not dominate the picture. The United States, Japan, and the European Union trade twice as much with ASEAN.² More generally, the proliferation of free-trade pacts between Asian countries still hides some trade discrimination, focused especially on agriculture and light industry.

It is when listening to Asians discussing their economic relationship that one realises how much the region has moved away from the vision of an “Asian century” dominated by trade liberalisation and globalisation – formerly the basis for new regional institutions. This brief is based on a study trip to Tokyo in June 2014, during which a group of ECFR’s Council members met with a wide and distinguished group of interlocutors from Japan, South Korea, and elsewhere in Asia, and discussed how they see the future of the continent.³ What came out most forcefully is that Asians see not so much an “Asian century” as the possibility or risk of a “Chinese century”. Thus, China is foremost in Asia’s mind. Asians are uncertain about America’s future role in the region and wonder what it will take to live with China and what it will take to ensure this remains an “Asian century”.

Above all, it is increasingly clear that trade does not guarantee peace and stability. Our interlocutors saw the territorial disputes in Asia as driven not primarily by competition for energy or resources but by a mixture of historical legacies and domestic politics. Not just in China but throughout Asia, nationalism seems to be on the rise even as economic interdependence increases. Thus, Asia faces not just one but two issues: the open-ended and ambiguous nature of China’s rise above its neighbourhood and the nationalism that is a more general ingredient of domestic political cultures in Asia. This makes regional integration along European lines a distant dream.

“China! China! China!”

Discussion about the future of Asia is dominated by the question of China’s rise and the region’s response. “China! China! China!” – as one of our interlocutors put it – is the focus of the continent’s expectations and fears. Since 2008, China has above all targeted Japan but it has also challenged other maritime neighbours as well as India on its land border. It alternates between seeking to detach the US from its commitments to Asian allies and probing the weak points of the US hub-and-spoke alliance system. But Asians reject the idea that China seeks to challenge the US globally. “China doesn’t want to rule the world, it wants to rule us,” one participant soberly said. China “has the luxury of focusing on us,” said another.

Why is China exhibiting such confidence that it can annoy its neighbours and on occasions bully them? There are only two possible answers. The first is that China does so because it can. To a large extent, China calibrates its challenges according to the perceived strength or alliance status of the other party. As one participant said: “With Japan in the East China Sea they send unarmed fishermen; with the Philippines they send patrol boats; with Vietnam they send the PLA Navy.” In other words, this is calculated risk-taking by Beijing, which knows that the other parties, given their own divisions, have no way of uniting around a resolution.

The second possible answer to the question of why China feels able to annoy and even bully its neighbours is that it – along with its neighbours – actually believes in the territorial claims it is making. China, South Korea, and Vietnam have grievances based on their perception of history. This leads each of them to mistrust international arbitration and to think that even a legal solution would only reflect the unfairness of the colonial era, post-1945 settlement and the Cold War. Perversely, this is also fodder for politicians – whether in authoritarian set-ups or in elected democracies. There are no gains, and only losses, to be made by appearing to be wobbly on symbolic issues.

In this context, other powers such as Europe, Russia, and the US are sought for their influence, one way or another, on China’s future policies. Above all, there is a deep and growing anxiety about the US. How long will it live up to its security commitments, which are ambiguous in some cases? There are widespread doubts about the sustainability of the post-war Pacific order, which occasionally chime with European fears of neo-isolationism in mid-America. “Either the US implements the alliance, or the alliance is dead,” said one interlocutor. Others drew parallels between the positions in which Europeans and Asians found themselves. “Europeans and Asians must be conscious that they may share a security deficit in the near future, including traditional and non-traditional security,” said one.

Most in Asia recognise that it is the US that keeps the peace and there are few who welcome the chance to fill the vacuum being left by the US. Yet nearly everyone sees a move in this direction as inevitable. “We should not compete for US resources that are not infinite in any case, we should instead engage our own and increase them,” said one interlocutor. There is much mistrust regarding President Barack Obama’s shifting pronouncements on Asian security, apprehension at any sign of American acquiescence to the “big power relationship” that China is promoting, and fear about the long-term sustainability of the alliance system. One interlocutor worried that if the US did not deliver on its commitments, South Korea and Taiwan would move closer to China.

Expectations of Europe are less clear. Its contribution to hard power in the region is limited to arms sales or to the denial of such sales. Its claim to soft power is largely ignored – whether we see this as unfair or not. On the one

² ASEAN Statistics, Table 19, ASEAN trade by selected partner country/region as of 24 July 2014, available at http://www.asean.org/images/resources/Statistics/2014/ExternalTradeStatistics/Aug/table19_asof24Jul14.pdf.

³ The discussions were held under the Chatham House Rule. We have therefore quoted participants anonymously. Unless otherwise stated, quotes are from discussions held in Tokyo.

hand, Asians welcome European trade with China – after all, more than 60 percent of China’s exports are achieved by foreign subsidiaries or firms with foreign participation, so China’s foreign trade, the world’s largest, is really a front for the Asian global factory. On the other hand, Asians want Europe to uphold its norms and values in dealing with China. “Is Europe ready to pay a price?” one interlocutor asked. In other words, Europe is sought firstly as a buyer of last resort for goods assembled in China and secondly as a schoolteacher who can lecture the unruly Chinese about their history.

History and economic interdependence

History frames the political climate of Asia and plays on domestic political audiences. But, as one interlocutor put it, “history is politics in disguise” and “domestic politics is the mother of all ills”. Our interlocutors saw the rise of nationalism in Asia as part of a worldwide shift from a liberal to a nationalist approach. One pointed out that after Russian President Vladimir Putin annexed Crimea, his approval ratings went up from 38 percent to 73 percent. This nationalist shift in turn was connected to a worldwide shift to the right. “In Japan as elsewhere, the credibility of the left has collapsed – there is no counterweight to nationalism,” said one interlocutor. Another put it more bluntly: the left-leaning readers of the *Asahi Shimbun* were literally “dying”.

In China, nationalism has since 1989 been used to shore up the ideological legitimacy of the party-state. In South Korea, the need to distance political leaders from the era of wartime collaboration creates a need to scapegoat Japan. “In China and Korea, the younger people are, the more hostile they feel towards Japan,” said one interlocutor, implying that the public opinion clash in East Asia has less to do with actual memory and more to do with mobilisational politics – or with forgetting the past. “In Japan, youngsters know nothing about the Showa era,” said another. “High-school professors avoid controversy. The kids think the war started in 1941, not 1931. They know nothing about the Manchurian incident and wartime atrocities.” Understandably, these younger Japanese are tired of apologising. One participant therefore advocated “less apologising and more history”.

In this void, history is also being invented. One participant pointed out that reconciliation had been achieved between Japan and the Philippines even though the Japanese killed many more people in the Philippines than in Korea during World War II. Another said Xi Jinping was using the nationalist card to “resurrect the anti-fascist front”. Another said South Korean President Park Geun-hye was using Korean-Americans – who are twice as numerous as Japanese-Americans – to lobby the US government. News in China about core interest issues and foreign policy is more tightly controlled than any other topic. “Stories about why the Japanese government decided to purchase the Senkaku islands never reached the Chinese public,” said one interlocutor. Yet another summed it up as follows: “The

Koreans are too emotional and the Chinese too strategic – they will never cede ground, however much the Japanese may apologise.”

In discussing these disputes, participants frequently drew an analogy with European post-war reconciliation – only to refute it. Some do want Europe’s “path” rather than its past to become Asia’s future (a reference to an influential article written by Aaron Friedberg in 2000 which suggested parallels between the great-power rivalry that led to World War I and contemporary Asia). But others said that Europe was not ready to supersede nationalism. “It takes two to reconcile,” said one participant. “One side needs to apologise but the other side needs to accept the apology.” Even more fundamentally, the analogy with Europe fails on two important grounds. Neither the Republic of China (Taiwan) nor the People’s Republic of China nor Korea were parties to the San Francisco Conference and the resulting peace treaty with Japan. “No claims could be heard from them,” said one participant. “Today is a new reality and a new norm.”

The participants were well aware that Franco-German reconciliation was not achieved by the leaders of the time with purely moral reasons and history in mind. “De Gaulle and Konrad Adenauer were both realists,” said one participant. When asked by Henry Kissinger about what would ensue in the eventuality that the process would fail, de Gaulle replied: “La guerre, évidemment” (“War, of course”). According to one participant, Adenauer and de Gaulle solved issues whereas Deng Xiaoping postponed them. “They have now come back to haunt the successor generation,” he said. It is the European pragmatic underpinning of reconciliation and regional construction that is missing in East Asia.

Nor is economic interdependence helping to overcome these historical disputes. Bilateral economic links to China are clearly on the increase and are essential for Japan, South Korea, and Taiwan. But, as some of the participants pointed out, the symmetry of economic interdependence matters as much as the degree of economic interdependence. Economic interdependence can cause conflict as well as prevent it – particularly when it is asymmetric. For example, one participant argued that the increase in tensions between China and Japan is due to the shift in the symmetry in economic relations between them. In the 1980s, China needed Japanese investment and development aid and saw historical grudges as mere leverage. Now, however, China sees Japan as dependent on it and therefore is “becoming more aggressive” on historical issues.

The case of Mongolia – a country that prizes its independence above anything else – is even more striking. 90 percent of Mongolia’s exports are to China (compared to 2 percent to Russia) and 50 percent of its FDI comes from China. But perhaps for that reason, it is Russia that is the most popular neighbour in Mongolia, and it is looking for a “third neighbour”. ASEAN and India, on the other hand, are less dependent on China: “China and ASEAN depend much

more on the world than on each other for exports,” said one participant. Indeed, North-East and South-East Asia differ from each other when it comes to economic interdependence with China. Japan’s bilateral trade with China is already three times larger than trade between China and India, which will reach \$100 billion by 2015.⁴ South-East Asia’s problem relative to China is geopolitical weakness, while North-East Asia’s vulnerability is geo-economic, and India sees itself much more as a competitor.

One participant pointed out that Japan has 23,000 companies operating in China, compared to 5,000 from Germany. In spite of the cold political climate, 52 percent of Japanese companies expect to do more business there in the future. One might add that even two years after a boycott of Japanese consumer goods, Japanese firms still hold 19 percent of China’s car market compared to 15 percent for German brands. On the other hand, one participant pointed out that previously South Korea’s trade with Japan has dropped from 30 percent of its total foreign trade to 9 percent (from 1975 to 2010), and China is now South Korea’s number one partner. Thus, there was an “economic determinism”: “In Europe, similar interests dictate a need to solve disputes; here, it is the contrary.” Another participant said China no longer had an incentive to improve relations with Japan since it no longer faced a common enemy as it did during the Cold War, nor did it need technology and economic assistance.

As well as trade, investment is also becoming an issue in Asia. One participant mentioned a study by the Asian Development Bank, which suggested that it will be able to provide only about \$50 billion of \$8 trillion of investment in infrastructure that Asia will need over the next 25 years. Thus, China and Japan will increasingly compete for the role of international investor. Japan has remaining advantages – one participant pointed out that its stock of overseas assets is four times as large as China’s. But China is closing the gap, with FDI outflows in 2013 nearing the level of inflows (\$100 to \$129 billion), without even taking into account huge financial flows through offshore centres that are characteristic of both state and private Chinese capital.

However, it appears there is a decline in Japan’s investment flows to and trade with China. Year-on-year figures show a fall in both total inward FDI into China and Japanese FDI in China when looking at the period of January to July 2014. Investment flows from the US, Japan, and EU have also been reported to contract in the first seven months of 2014 compared to the same period in 2013.⁵ As there is a delay in the way investment flows are reflected in such statistics, it stands to reason that the current decline is due to recent diplomatic tensions between China and Japan.

Investment is apparently also not helping to produce stability either. There were anti-Japanese demonstrations in China in 2012 and more than 7,000 Chinese workers have had to be repatriated from Vietnam earlier this year after China’s installation of an oil rig in contested waters prompted riots. Thus, globalisation and investment are not a panacea. In fact, although economic interdependence with China runs deeper in North-East Asia, at the same time it is much more conflictual than in South-East Asia. The Korean Peninsula highlights both how interdependence in North-East Asia is increasing and how security in the region is at risk. The economic interdependence between Japan and South Korea is deeper than that between Japan and China, but there are other factors that make the relationship between China and South Korea a difficult one.

The Korean Peninsula

The fate of the Korean Peninsula is a major determinant for the future. Under President Lee Myun-bak (who was in power from 2008 to 2013) and his successor Park Geun-hye (who came to power in 2013), South Korea has tilted towards China, not only because of deepening economic interests, but also to enlist the help of China in taming North Korea. There is value for South Korea in balancing Japan and China. That strategy was first denounced by Korean conservatives when the more progressive President Roh Moo-hyun (in power from 2003 to 2008) announced it. But it seems to have taken hold under his successors. South Korean policy pronouncements on the North seem schizophrenic – at times they suggest a collapse of the North Korean regime and at other times they warn that Kim Jong Un, the 31-year-old grandson of Kim Il Sung, may be here “for a very long time”. The truth is that nobody knows, and policy towards the North has failed to produce any regime change or even social change.

Until 2012, negotiations focused on the so-called Six-Party Talks. But, as one participant said, “we could bring the North Koreans to the table but not force them to drink”. Others said that “officially, the US–South Korea alliance is working”. South Korea “does not want regime change or collapse” but “supports peaceful change”. For this reason, the official description of Park’s policy towards the North, “Trustpolitik”, really involves very different components: the first of which is simply deterrence, followed by engagement and trust. Seoul “should convince the North of the dilemma of its two-track policy” (talking and nuclearising), a choice caused by exaggeration of the US threat to North Korea.

⁵ Various news outlets reported that Japan’s finance ministry presented the January–July inward FDI figures on 18 August. The datasets have not been published on the finance ministry’s website, but various media organisations have published figures. Japanese investment in China in the period from January to July 2014 has fallen by 45 percent to \$2.83 billion compared to the same period a year earlier. On Chinese competition law, there is increasing speculation regarding the effect this may have on EU and US FDI into China. In the period from January to July 2014, US FDI in China fell 17.4 percent year-on-year to \$1.8 billion and EU FDI in China has fallen 17.4 percent to \$3.8 billion. Only firms in the UK (up 61.2 percent to \$730 million) and South Korea (up 34.6 percent to \$2.9 billion) increased investment in January–July 2014 compared to the same period in 2013.

⁴ “Japan’s total trade with China dropped 6.5% to US\$311.995 billion in 2013.” Japan External Trade Organization survey, available at <https://www.jetro.go.jp/en/news/releases/20140228009-news>.

Some would have a new twin-track policy to deal with regional tensions, counter nationalism, and bring about a convergent action on North Korea.

In reality, South Korea under Park is courting China while returning slowly to co-ordination with Japan and the US. Undoubtedly, Prime Minister Shinzo Abe's surprise visit to the Yasukuni Shrine in December 2013 has got in the way, as it obligates the South Korean president to take a condemnatory stance against Japan. China, meanwhile, feeds on South Korea's prickliness. The master of ceremonies at Park's inauguration in February 2013 was also the director of a patriotic blockbuster celebrating Ahn Jung-geun, a South Korean independence fighter who killed Japan's first prime minister and is still regarded as a terrorist. In January 2014, China unveiled a memorial to him in Harbin, which was applauded in South Korea. Thus, South Korea's tactical need of Chinese support to try and contain North Korea's behaviour chimes with the nationalist rhetoric chosen by both countries' leaders.

In fact, the economic and social costs of a true reunification may lead South Koreans to favour a confederate solution or transition, for which long-lasting support from China is needed. "One Korea' is not an ideal solution," said one participant. Another judged that Korea could "learn from Germany for integration, but not for reunification". Another said South Korea should give North Korea security guarantees that would make it give up nuclear weapons, but recognised this would also make a collapse less probable – "a Catch-22 situation". Chinese co-operation is essential. To some, China's intention is to prop up and at the same time to weaken North Korea, avoiding sudden death. Should a contingency arise, one participant said, "PLA Group 16 was ready to secure North Korea's two nuclear sites 100 kilometres from China's border, to enact no entry and no-fly zones, to set up camps for refugees, and to prepare a United Nations intervention".

Such a policy, one participant said, is based on the precondition that reunification is achieved peacefully, that a reunified Korea is friendly to China, that it distances itself from Japan and does not exert military pressure on the Yalu River (demarcating the China–North Korea border). But many dispute that this is China's real policy, which in any case "only mentions officially peace and stability". Viewed across the Pacific, how South Korea will hold up in case of a reunification is a question mark. "Regionally, Japan is predictable; Russia is dismissible; and China is unpredictable," said one participant. Viewed from India, "China will only accept a pro-Beijing government in a reunified Korea". Viewed from the experience of past Vietnamese unification, success "really came from renovation in the north, joining the world and regional institutions".

One participant said that, as a small country among big powers, South Korea should adopt the medium-power strategy that Yoshihide Soeya has recently advocated for

Japan.⁶ It was entirely possible that the Korean Peninsula would emerge as the main diplomatic issue for Japan. But Korea "does not have the same threat perception of China" as Japan. Officially and unofficially, Japan still adheres to its 2002 twin principles towards North Korea of dialogue about history and economic assistance. Abe's new opening with the North on accounting for past kidnappings of Japanese citizens may lead to implementation of these policies. And that, one might add, is clever balancing of China's influence over the Korean Peninsula, unlike a visit to the Yasukuni Shrine.

The uncertainty in the North Korean situation – with a political and economic strengthening of the regime but the equal possibility of a sudden collapse due to internal strife – hangs over North-East Asia. In fact, it seems that North Korea is perceived as the biggest threat to stability in (North-East) Asia. Our Japanese interlocutors regarded war between North and South Korea as more likely than any other conflict scenario in Asia. (European participants saw more potential for war between Vietnam and China.) In short, the black box that is North Korea opens up all possibilities in a shifting regional environment – and the resolution of the North Korean tragedy brings us full circle back to Asia's overall strategic landscape.

Japan's strategic isolation

Does Japan face a stark choice between becoming like Finland during the Cold War or the "Israel of the Far East"? This is perhaps the key question regarding Asia's future strategic landscape. Over and over during our discussions, we heard expressions of anxiety over Japan's possible strategic isolation. The issue relates also to Japan's cultural uniqueness – a theme that was hailed by a benevolent American occupation in the post-war era, but that is also seen as an impasse today. Oddly, some still see Japan as "the only democracy in a region of authoritarian regimes", forgetting the immense transformations that have taken place in much of Asia.

The casuistry that for several decades surrounded Japan's slow change in defence policy, the issues surrounding Article 9 of its "peace constitution", and the endless debates regarding a solution to the Yasukuni Shrine issue (where, one must remember, millions of ordinary souls are remembered alongside the 14 Class-A war criminals convicted during the Tokyo Tribunal) simply cannot make for efficient public diplomacy abroad. But many Japanese despair that, no matter how much Japan apologises for actions of the first half of the twentieth century, it will still be taken to task.

⁶ Yoshihide Soeya has elsewhere recommended that Japan adopt a strategy of accommodating China since it can no longer shape its own environment. See, for example, "Prospects for Japan as a middle power", East Asia Forum, 29 July 2013, available at <http://www.eastasiaforum.org/2013/07/29/prospects-for-japan-as-a-middle-power>.

However, an inability to come to terms with history is not the only factor. In Japan, there are real doubts about the resolve of the US and its ability to sustain defence commitments in East Asia. Some of these doubts are very concrete. The terms of the handover of Okinawa by the US in 1972 included “surrounding areas”, and the US–Japan Security Treaty covers areas on which Japan has administrative jurisdiction. But it remained unclear whether the Senkaku/Diaoyu islands were included until President Obama finally confirmed it earlier this year. Nevertheless, Japanese participants criticised the “confused and confusing statements” coming out of Washington. For example, Obama’s West Point speech in May almost entirely omitted Asia and Japan.⁷ “Speeches made in the region and in America differ considerably,” said one interlocutor. Another pointed out concerns that China underestimates US commitment because the US is not properly communicating its Asia policy and in particular the “pivot”.

The US takes no position on the sovereignty issue (“Don’t they know to whom these islands belong – they bombed them 394 times in practice runs?” quipped one participant). But the question of American support to Japan in case of a conflict with China runs deeper than that. The terms of an intervention under Article 5 of the security treaty require several conditions: that the area be under Japanese control, that the forces of both countries be under attack, and that there be joint action. This requirement has opened, in Japanese terms, a “grey zone” for Chinese actions: without being under the radar, they keep the challenge at a level that eludes the treaty and manage to isolate the Japanese in any response they might have. Both the treaty and political will are being eroded rather than confronted directly.

Many point out the risk of inadvertent war, for instance in recent cases where PLA fighter jets flew 30 metres away from Japanese Air Self-Defense Force planes. One recent poll shows that 24 percent of Japanese and 53 percent of Chinese believe there will be a military conflict between Japan and China in the future.⁸ Luckily, Japanese pilots are quite skilled – we were told that they have been trained to take off three abreast on a runway that is only 50 yards wide. For now, the technical capabilities and training of Japan’s air force and navy dwarf that of the PLA. But there is a perverse consequence: just as the protection of US troops allows Asian allies to bicker among themselves without consequence, the capacity of Japan’s forces allows the US to sit back and let China probe Japan’s defence without immediate risk. East Asians look anxiously at the storm gathering over the entire Middle East and worry that it may prevent the US “pivoting” to Asia.

Abe remains committed to the US–Japan Security Treaty – as was the previous prime minister, Yoshihiko Noda of the Democratic Party of Japan. So far, only the nationalist right – which is not represented in Abe’s cabinet – wants Japan to act alone to defend itself. But everyone is carefully monitoring the US will and ability to implement the terms of its alliances in East Asia. There is a creeping expansion of *fait accompli* actions that could escalate suddenly into open and violent conflict. China is acquiring Anti Access/Area Denial (A2AD) capabilities that are designed to raise the cost of a conflict for the US.

One participant saw a re-emergence in Asia of the problem of “decoupling” from the US that Europe faced during the Cold War. American (and European) restraint over Crimea and Ukraine – the first acquisition of territory by force in Europe since 1945 – are making a deep impression on Asians. To some Asians, this shows that the US is committed only to rhetoric and low-level engagement. To others, the US “pivot” is not a grand strategy but simply a reaction to the reality of the increasing importance of Asia. But, as one interlocutor asked, where is Europe?

The stakes for Europe

What are the stakes for Europe? Its economic interdependence with Asia does not point in any particular direction. Formally, the EU has an “enhanced partnership” with ASEAN, and multiple “strategic partners” in Asia: China, India, Indonesia, South Korea, and Japan. Real progress has been made with South Korea – a free-trade treaty, a framework agreement, and co-operation in crisis management are among the deliverables that have been achieved. Meanwhile, the lofty aim of “partnership in reform” with China – described by one participant as “Europe’s sweetheart” in Asia – has not been attained and macroeconomic consultations between the world’s second and third currency zones have been scarce. There are simmering battles over dumping and the overall disconnect on values is being bridged only at Europe’s own expense. “We cannot even find a common position when China punishes a member state for seeing the Dalai Lama,” complained one participant.

Europe has signed a number of statements – a joint communiqué between High Representative Catherine Ashton and US Secretary of State Hillary Clinton in 2012, several EU–Japan joint statements, a G7 Declaration – that condemn the use of intimidation, coercion, or force on territorial issues, uphold freedom of navigation and promote resolution “according to international law”, proclaim “common security interests” with Japan, and encourage its “proactive contribution to peace”. But Europe risks being driven from one statement to the next as circumstances dictate without a deeper consensus between member states towards Asia.

⁷ Remarks by the President at the United States Military Academy Commencement Ceremony, West Point, New York, 28 May 2014, available at <http://www.whitehouse.gov/the-press-office/2014/05/28/remarks-president-united-states-military-academy-commencement-ceremony>.

⁸ Joint EU–US statement on the Asia-Pacific region, Phnom Penh, 12 July 2012, available at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/131709.pdf; EU–Japan statements, available at <http://www.mofa.go.jp/region/europe/eu/summit/>; the Brussels G7 Summit Declaration, Brussels G7 Summit 2014, 4–5 June 2014, available at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/143078.pdf.

France and the UK have engaged in political and security co-operation with Japan that includes arms procurement, joint development of weapons, and, in the case of France, consultation on dual sales to third parties (“Portsmouth would be a good place to discuss this,” one interlocutor said – an ironic reference to the treaty that ended the Russo-Japanese war in 1905 in the era of the Anglo-Japanese alliance). European defence firms are also eagerly seeking sales to other Asian countries such as India, Indonesia, South Korea, Malaysia, and Vietnam, while the embargo on arms sales to China imposed after the Tiananmen massacre in 1989 remains in place. But other member states uphold a view of European “neutrality” in Asia instead of security co-operation. In truth, neither security co-operation nor “neutrality” is completely viable without a strong European consensus.

Asians themselves, and in particular the Japanese, want Europe to play a more active role. But they are quick to criticise any tilt in Europe’s pronouncements. For example, Ashton’s criticism of Abe for his visit to the Yasukuni Shrine may have seemed like even-handed treatment, but, as one participant pointed out, visiting Yasukuni is quite different from – and not as serious as – announcing an Air Defence Identification Zone, as China did. To some in Japan, Europe seems “more ready to tell the Japanese about historical issues than to China”. Yet “there is a more rational environment for historical discussion in Japan than in China and Korea on historical issues” and “it is unwise for Europe to keep silent”.

Thus, Europe hums and haws, hoping that the situation does not get out of hand but doing little to stop it doing so. Yet from several perspectives, Europe is implicated whether it likes it or not. One issue is freedom of navigation, on the sea and in the air, which is not only a European invention but a key element of the global trading system on which Europeans depend for their prosperity. In particular, the straits of Asia, from Malacca in South-East Asia to Taiwan on China’s maritime façade, are the world’s busiest arteries. The EU’s trade with East Asia reached €870 billion in 2013 – much of it by sea.

Another liability is the global system of laws and norms on which Europeans depend. Moreover, encroachments in either of the two regions influences behaviour in the other. This point has been dramatically illustrated by the Ukraine crisis. Japanese Vice-Minister of Foreign Affairs Nobuo Kishi told us that Japan did not see the annexation of Ukraine as “someone else’s problem” but emphasised that conversely Europeans should not see the situation in East Asia as “someone else’s problem”. He added that “a challenge against the rule of law is also a challenge against the global order, with huge implications for the global economy”. Strikingly, and against its own short-term interests, Japan has followed through on sanctions against Russia. Thus, although there is little prospect of legal arbitration of territorial disputes

in Asia by the International Court of Justice, it remains necessary for Europeans to point out and react to violations of international law in order to help maintain the status quo.

In the immediate future, East Asia’s choice of relations with Russia – not only China’s but also Japan’s and South Korea’s – will greatly impact Europe’s own leverage on Moscow’s actions. Asking East Asians to treat Russia’s forays into Ukraine as a breach of global rules is a futile exercise if Europe remains silent or “neutral” on East Asia’s rising territorial tensions. Nor can we treat China as a purely economic partner if it actively condones Russia’s actions, blunting the impact of European sanctions and leaving it with a choice between inaction and the use of force. Even when East Asia was called the “Far East”, interactions with the European balance of power were in evidence. Today, as geopolitical forces clash with globalisation, Europe cannot limit its role in Asia to that of a commercial or “soft” power.

To say this is not to say that Europe should take sides narrowly. East Asia’s power balance and its territorial issues have remained frozen for a very long time, reflecting the supremacy of a non-Asian power, the United States. Major decisions took place when China was either absent or under-represented. Pressing China to compromise also implies pressing other parties to negotiate. But the result cannot be to reward challenges against the status quo, lest we encourage worse in the future. As the rising power, it is up to China to give up abstract or irredentist sovereignty claims, and to accept bargaining as the road to region building. Unfortunately, international law – recourse to which is presently rejected by almost all Asian parties – does not always have a clear solution to issues that are rooted in historical perceptions or are attendant on strategic priorities. Europe’s calls for respect of international norms do no harm, but neither do they have much impact on the region.

For European pronouncements, the norm should be negotiation rather than arbitration, which is an action of last resort and is often unable to prevent actual conflict. Absent a negotiation, Europeans should help to deter conflict, which includes playing its role to maintain a stable security balance in the region. Once a negotiation starts, Europe need not have precise views on sovereignty issues. Rather, its objective should be to even-handedly encourage the process and to make sure that the outcome does not undermine international law.

About the author

François Godement is the Head of the Asia & China programme at the European Council on Foreign Relations and a Research Associate at Asia Centre. He is also a professor at Sciences Po and a consultant to the policy planning staff of the French foreign ministry and to the OECD and the EU. His publications for ECFR include *A Power Audit of EU–China Relations* (with John Fox, 2009), *Xi Jinping's China* (2013), and *France's "Pivot" to Asia* (2014).

Acknowledgements

This report was written on the basis of discussions held in Tokyo in June 2014. Special thanks must go to Hans Kundnani and Angela Stanzel, who have contributed to it, as well as to Thomas Koenig and Florence Rountree of the Asia and China team at ECFR, who worked tirelessly to realise the project. It would not have been possible without the generous support of our partners especially the Robert Bosch Stiftung (a full list of partners is available below). The content of this report, as with all ECFR publications, is the sole responsibility of the author. Nonetheless, it would not have been possible without the contributions of the participants in the discussions, which were held under the Chatham House rule. We are deeply grateful to them for giving us their time.

Europe-based participants

Lluís Bassets, Ian Buruma, Lykke Friis, François Godement, Teresa Gouveia, Sylvie Kauffmann, Hans Kundnani, Mark Leonard, Matthias Naß, Andrzej Olechowski, Angela Stanzel, Volker Stanzel.

Asia-based participants

Hirotsugu Aida, Michael Anti, Endy Bayuni, Chaesung Chun, Robert Dujarric, Sujit Dutta, Yoichi Funabashi, Young-sun Ha, Nobuhide Hatasa, Carolina Hernandez, Yuichi Hosoya, Ken Jimbo, Takehiro Kano, Yoichi Kato, Kan Kimura, Nobuo Kishi, Shinichi Kitaoka, Ryosei Kokubun, Srikanth Kondapalli, Richard Koo, Jae-seung Lee, Tae-sik Lee, Bih-jaw Lin, Takao Makino, Ashok Malik, Chung-in Moon, Hideto Nakahara, Michitaka Nakatomi, Yukio Okamoto, Ihn-hwi Park, Nobuyoshi Sakajiri, Kak-soo Shin, Kawashima Shin, Takashi Shinohara, Yoshihide Soeya, Tzen-ping Su, Apichai Sunchindah, Keisuke Suzuki, Seiichiro Takagi, Akio Takahara, Hitoshi Tanaka, Siew Mun Tang, Kazuhiko Togo, Michito Tsuruoka, Nguyen Vu Tung, Nyamosor Tuya, Hirotaka Watanabe, Yorizumi Watanabe, Ganeshan Wignaraja, Steven CM Wong, Noboru Yamaguchi, Ji You.

Partners

Delegation of the European Union to Japan
 East Asia Institute – Seoul
 Foreign Commonwealth Office
 Japan Institute of International Affairs
 Konrad-Adenauer-Stiftung – Japan Office
 Korea Foundation
 Ministry of Foreign Affairs of Japan
 Robert Bosch Stiftung
 Tokyo Foundation
 Embassies of France, Germany, and
 the United Kingdom in Japan

ABOUT ECFR

The **European Council on Foreign Relations** (ECFR) is the first pan-European think-tank. Launched in October 2007, its objective is to conduct research and promote informed debate across Europe on the development of coherent, effective and values-based European foreign policy.

ECFR has developed a strategy with three distinctive elements that define its activities:

- **A pan-European Council.** ECFR has brought together a distinguished Council of over two hundred Members – politicians, decision makers, thinkers and business people from the EU's member states and candidate countries – which meets once a year as a full body. Through geographical and thematic task forces, members provide ECFR staff with advice and feedback on policy ideas and help with ECFR's activities within their own countries. The Council is chaired by Martti Ahtisaari and Mabel van Oranje.
- **A physical presence in the main EU member states.** ECFR, uniquely among European think-tanks, has offices in Berlin, London, Madrid, Paris, Rome, Sofia and Warsaw. Our offices are platforms for research, debate, advocacy and communications.
- **A distinctive research and policy development process.** ECFR has brought together a team of distinguished researchers and practitioners from all over Europe to advance its objectives through innovative projects with a pan-European focus. ECFR's activities include primary research, publication of policy reports, private meetings and public debates, 'friends of ECFR' gatherings in EU capitals and outreach to strategic media outlets.

ECFR is a registered charity funded by the Open Society Foundations and other generous foundations, individuals and corporate entities. These donors allow us to publish our ideas and advocate for a values-based EU foreign policy. ECFR works in partnership with other think tanks and organisations but does not make grants to individuals or institutions.

www.ecfr.eu

The European Council on Foreign Relations does not take collective positions. This paper, like all publications of the European Council on Foreign Relations, represents only the views of its authors.

Copyright of this publication is held by the European Council on Foreign Relations. You may not copy, reproduce, republish or circulate in any way the content from this publication except for your own personal and non-commercial use. Any other use requires the prior written permission of the European Council on Foreign Relations

© ECFR September 2014.

ISBN: 978-1-910118-12-2

Published by the European Council on Foreign Relations (ECFR),
35 Old Queen Street, London,
SW1H 9JA, United Kingdom

london@ecfr.eu