The European Union’s East Asia Strategy with Implementation of the Korea-EU FTA as a Breakthrough

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한-EU FTA는 2006년 EC의 커뮤니케이션 “Global Europe” 발표 이후 EU가 추진한 새로운 세대의 FTA 중에서 가장 먼저 체결된 것이다. EU가 주요 교역 상대국과 FTA를 추진하는 것은 EU의 대외정책 전략이 전통적인 지역 간 주의에서 양자 간 주의로 전환했음을 의미한다. EU의 동아시아 전략으로서 지역 간 주의는 ASEM으로 제도화되었고 그 리고 양자 간 주의는 한국, 싱가포르 말레이시아 등과의 FTA 협상으로 구체화되고 있다. 이 논문은 이러한 전략 변화와 그에 상응하여 ASEM위주에서 FTA중심으로 EU의 동아시아 교류가 전환하는 점을 ASEM의 구조적 요인과 EU의 대외정책 변화로 설명한다. 결론에서는 WTO의 다자간협상이 지연되는 상황에서 양자 간 FTA를 통해 실리를 추구하려는 경향이 고조된 상황에서도 지역간주의의 전체건의 되는 지역주의가 EU 형성과정에서 회원국에 그러했던 것처럼 ASEM은 동아시아 국가들에게 여전히 세계화에 대비한 유호한 전략이 될 수 있음을 지적했다.

핵심 주제어: 유럽연합의 동아시아 전략, 아셈, 지역간주의, 한-EU FTA, 양자간주의

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I. Introduction

Korea and the EU signed the free trade agreement on 6 October 2010. The agreement is provisionally applied since 1 July 2011. The Korea-EU FTA is the first of the new generation FTAs launched by the EU in 2007 as part of the “Global Europe” initiative. Why did the EU bestow priority on the negotiations with Korea? It is because, as one of the most dynamic and the most advanced economies in East Asia; and the only Asian OECD member country besides Japan, Korea combines large market potential with a high level of protection against EU export interests (tariffs and non-tariff barriers). In addition, the fact that Korea already concluded FTA negotiation with the US could be another reason.

Before the “Global Europe” initiative(2006), FTAs played an important role for multiple policy purposes. For example, FTAs were used to consolidate stability in the European neighborhood through reinforcing economic and regulatory ties with the EU; or to provide developmental aid for the African, Caribbean and Pacific countries which were negotiating Economic Partnership Agreements with the EU.

Contrastingly, since “Global Europe”, FTAs of the new generation are competitiveness-oriented and based primarily on economic considerations. The EU has come to appreciate the importance of the role of FTA in creating jobs and fueling economic growth. New competitiveness-driven FTAs are being negotiated with partners selected for the market potential and the level of protection.

The EU’s recent trend to set store by bilateral agreements seems to
substitute the traditional inter-regional strategy. The shift, however, is far from definitive and without tension. The purpose of this article is to explain the shift of the emphasis in the EU’s external strategy from multilateralism and inter-regionalism to bilateralism, still with the awareness of the potential that the EU cannot easily cast away in its former strategy.1) The discussion of the article shall be divided into four sections. The first two sections relate the inter-regionalism advocated by the EU and the practice of its embodiment within ASEM. The third section will make an account of the reasons why the EU’s emphasis moved from the inter-regionalism to reference to realism in its relationships with East Asia. The fourth section discusses the growth of bilateralism in the EU’s external policy strategy towards East Asia.

II. EU’s Relations with East Asia: From Inter-regionalism to Bilateralism

1. The Inter-regionalism as the EU’s East Asia Strategy

Inter-regionalism means not only the interaction of one region with another but also the affectability of the intra-regional identity of one of the participating actors. It works in two ways, outwardly and inwardly, and therefore reinforces the role of regions as actors. It must be distinguished from trans-regionalism which means “a structural attempt to combine a range of states within a coherent unified framework.”2)

1) Santander (2010) is on the same subject but applies to the EU-Latin America relations.
and implies “the establishment of common ‘spaces’”. APEC is an example of trans-regional arrangements. Furthermore, relationships between one regional group and a single country of another regional group should also be distinguished.

A conviction that the EU, as the most comprehensive regional integration, has been developing a beneficial mode of governance underlies the idea of inter-regionalism. Conventionally, the nation-state is considered as the main actor of international relations. However, non-state agents such as multi-or trans-national corporations are getting visible in international relations with the increase of global interdependence. The rise of non-state agents forces changes of and challenges on the nation-state. With regionalism and trans-regionalism, inter-regionalism is one of the answers the nation-state finds against the challenges. It can be interpreted as the answer of the nation-state to the onslaught of globalization. Inter-regionalism adds a new layer of governance which could facilitate the finding of solutions on the global scale by pre-discussion or pre-negotiation of issues to be taken up in a multilateral setting.

Inter-regionalism has been the EU’s preferential form of international relations. For it provides the EU model for other emerging regional organizations. The EU’s relationship with Asia is no exception. A number of important documents have manifested the EU’s inter-regionalist policy towards Asia. They portrayed Asia and East Asia as regions. ‘Towards a New Asia Strategy’ (1994) was the first one. Through this document, the EU stressed the importance of modernizing the region-to-region relationship with Asia as a whole. The EU expressed its intention to

3) It’s C. M. Dent’s definition. Refer to Chen (2005).
call for “a partnership of equals capable of playing a constructive and stabilizing role in the world”\textsuperscript{4) through strengthening its economic presence in Asia and undertaking dialogue with Asia regarding political and security issues.

The document was updated in 2001 with the publication of the European commission’s communication, entitled 'Europe and Asia: A Strategic Framework for Enhanced Partnership'. The EU clarified its inter-regionalist Asia strategy of “strengthening the EU’s political and economic presence across the region, and raising this to a level commensurate with the growing global weight of an enlarged EU”.\textsuperscript{5)}

The identified six priorities are: ① contribute to peace and security in Asia; ② enhance mutual trade and investment; ③ promote economic development; ④ work for human rights and democracy; ⑤ develop further global partnerships; ⑥ encourage an increased awareness of the EU in Asia and vice versa. The EU developed further these general priorities for each of the four key sub-regions (South Asia, South-East Asia, North-East Asia, Australasia). While the EU emphasized bilateral relations with China, Japan and South Korea in North-East Asia, the EU continued to carry region-to-region partnerships with ASEAN for South-East Asia.

\textsuperscript{4) Commission of the European Communities (1994).
\textsuperscript{5) Commission of the European Communities (2001).}
2. ASEM

It was ASEAN that made the proposal for ASEM. The ASEAN has played for a long time the counterpart of the EU in Asia. The region where the member countries of ASEAN are located had attracted European missionary, trading and colonial interests. A period of estrangement followed the end of the World War II. The EU-East Asia relations were resumed in 1978. The EU began biennial foreign minister meetings with ASEAN in 1978 and signed a Cooperation Agreement with the Association in 1980. Supervised by the EC-ASEAN Joint Co-operation Committee, the EU-ASEAN relationship today is pursued through region-to-region ministerial meetings, as part of the EU-ASEAN dialogue, and through other EC-ASEAN Cooperation Agreements.

ASEM was proposed by ASEAN in order to balance, on all three sides, the triangular relationships between the major regions of economic power, which are North America, Europe and East Asia. In comparison with the dense networks of trans-Atlantic or trans-Pacific institutions such as NATO and APEC, any strong high-level Europe-Asia link was theretofore absent.

The inter-regionalism that gave birth to ASEM can be explained by the need to balance regionalism in Europe and North America and inter-regionalism between them. ASEAN member countries’ realization that their association finds itself unequal to the task of the major regional player of the global world economy necessitates ASEAN’s

6) Gilson presents ASEM as an example of the EU’s utilization of inter-regionalism to manage relations with a growing yet disparate region in Gilson (2002) and Gilson (2005).
extension to include China, Japan and Korea in order to counterbalance NAFTA and the EU. ASEM has made contribution to the formation of the identity of East Asia as the EU’s partner in the form of ASEM. Furthermore, ASEAN conceived ASEM ① to offer closer links with the expanding EU; ② to balance the potential rivalry between Japan and China; ③ to moderate the effects of any further change in the US geostrategic position in the region.7)

Returning to the ASEM’s four principles of informality, multi-dimensionality, equal partnership and a high-level focus, we also find how it offers an example of inter-regionalism.8) First, ASEM opens spaces for both state and non-state actors due to its informal nature. Second, the potentiality to address a range of issues is given by its multi-dimensionality. Third, the equal partnership is rendered possible by the inclusion of Japan, China and South Korea in the EU-ASEAN dialogue. The notion of East Asia thereby gains greater weight. Finally, with its high-level focus, ASEM can serve as a means of tackling trans-border threats and challenges. However, more targeted aims and focused bargaining necessitate bilateral engagements.

The EU developed inter-regionalism as its East Asia strategy in an effort to maintain a multipolar setting. It is because inter-regional cooperation based on mutual respects and equal partnership fits into the multipolar international order which has developed since the demise of the cold war. The EU’s inter-regionalist strategy that was fleshed out through the ASEM process is intended to try to counter the US’s unilateralism embodied in East Asia by APEC. By the same token, the EU sticks to

8) I owe this part to Gilson (2005).
the multilateralism of which the building block is the WTO.

Striving to develop a common foreign policy, the EU has a natural institutional bias in favor of inter-regionalism. If the EU assumes full charge of relations with other regional entities through inter-regional strategies, it can claim its role as an actor in international relations and therefore its legitimization would be further enforced. In addition, ASEM facilitates policy formation on the European level which remains complementary to the national foreign policies of its member States.

From the EU’s perspective, ASEM has presented the EU with a useful mechanism for (1) managing relations with thirteen different economies; (2) promoting democratic values and the pursuit of human rights among states whose record has yet to satisfy European demands; (3) balancing geostrategic interests in the volatile and rapidly changing region.9)

 Furthermore, ASEM offered a means of subsuming the bilateral problems within a broader framework. Myanmar’s joining ASEAN in 1997 posed a deadlock in EU-ASEAN relations. In effect, the EU refused to participate in any initiative involving Myanmar, due to the latter’s democratic and human right record which the EU viewed as inadmissible. ASEM process provided an opportunity to overcome the deadlock. The April 2000 EU General Affairs Council approved concurrently a toughening of the EU Common Position on Myanmar and an arrangement for the Myanmarese foreign minister to participate in EU-ASEAN ministerial meetings.

3. ASEM to FTA

However, in these years the EU’s inter-regionalist East Asia strategy has stagnated. The enthusiasm for ASEM has decreased for the benefit of FTA with key economic partners. This shift can be explained by ASEM’s structural factor and EU’s external trade policy factor.

Let us begin with ASEM’s structural factor. ASEM as it were, is inappropriate for making decisions or rules. ASEM consists of three pillars. The three pillars are: ① economic pillar; ② political pillar; ③ cultural, intellectual, and people-to-people pillar. The latter two are the distinctive features of ASEM in comparison to APEC that has only one aim of fostering transpacific economic cooperation. In spite of this aspect, it is also true that ASEM was built primarily on the economic pillar. It can be illustrated by the fact that most of ASEM’s concrete programs such as Asia-Europe Business Forum (AEBF), Trade Facilitation Action Plan (TFAP) and Investment Promotion Action Plan (IPAP) are positioned at the economic pillar.\(^\text{10}\)

However, ASEM’s large number\(^\text{11}\) of member countries means that it is difficult to produce any deep integration agreement within ASEM as it adopts a consultation and consensus approach like other dialogue mechanisms. Furthermore, ASEM has an informal nature that implies a refusal to be institutionalized. It can be summarized as follows: large

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10) Refer to the structure of ASEM included in the appendix.
11) In 2006, ASEM6 was attended by 13 Asian and 25 European nations and the president of the EC. By contrast, APEC which also involves East Asian countries has 21 members. The ASEM comprises 46 countries and 2 international organizations (the 27 EU member States, the 13 members of the ASEAN plus Three regional grouping, India, Mongolia, Pakistan, Australia, Russia, New Zealand, the European commission and the ASEAN Secretariat).
number of member countries, dialogue mechanism and informality work all as crucial weakness inherent in ASEM. The latter, incapable of reaching a concrete action, has been criticized for emphasizing talk over action on inter-regional relations.

Assessing the achievements of the first decade of ASEM (1996~2006), a rather sober picture is drawn of the economic realm of ASEM cooperation so far. The sixth ASEM was held in Helsinki on 10-11 September 2006 with the overarching theme “10 Years of ASEM: Global Challenges–Joint Responses”. On that occasion, a joint report was submitted to ASEM. The report “ASEM in its Tenth Year: Looking Back, Looking Forward” synthesized the Asian Overview Report and the European Background Study. According to it, “ASEM has been lagging behind in concrete achievements. The paucity of tangible results is apparent in key priority aims such as the intensification of the political dialogue intended to consolidate political stability and international security, the reinforcement of economic ties aimed at increasing trade and investments between the two regions, and the strengthening of cultural, intellectual and people-to-people links to generate greater awareness and understanding.”¹²

In particular, although trade flows between East Asia and the EU increased from 1995 to 2004 (EU’s export increased over 50%; import more than doubled), the share of East Asia in the total of EU’s export decreased. Further, the EU’s share in Asian trade stagnated around 15% during the same period.¹³ Furthermore, the EU’s FDI towards

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ASEAN dropped in 2003 minus 58% compared to 2002 and minus 67% compared to 2001 despite the fact that FDI flows to ASEAN increased 48% in 2003.\(^{14}\)

\begin{table}
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\hline
 & \textbf{1995} & \textbf{2004} & \textbf{Change} \\
 & Million Euro & Share of EU total(\%)\(^{16}\) & Million Euro & Share of EU total(\%) & Million Euro & Variation 1995-2004 (\%) & Share of EU total(\%)p \\
\hline
\textbf{Export} & 97,008 & 16.92 & 151,904 & 15.76 & 54,896 & 56.59 & -1.16 \\
\textbf{Import} & 126,237 & 23.15 & 300,006 & 29.15 & 173,769 & 137.65 & 6.00 \\
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The factor related to the EU’s external trade policy’s shift has also affected the EU’s inter-regionalist East Asia strategy. In 2005, taking stock of the Lisbon strategy launched in 2000, the European Commission has reached the provisional conclusion that the EU failed to exploit the prospects offered by the information-and-communication-technology-based ‘new economy’ in order to develop the potential for economic growth, job creation and social cohesion. It relaunched policy priorities with regard to growth and employment. Thus growth and jobs are at the heart of the EC’s internal agenda for Europe.

To complement the internal agenda, the EC advanced in 2006 its external agenda through the communication entitled “Global Europe:


\(^{14}\) Ibid.

\(^{15}\) Ibid.

\(^{16}\) Excluding intra-EU trade.
competing in the world—A Contribution to the EU’s Growth and Jobs Strategy”. It highlighted FTAs’ potential in helping to create jobs and drive growth. Since 2006, FTAs have been competitiveness-oriented and based on economic considerations.

Before 2006, the EU maintained its stance to put the WTO’s multilateral negotiations on the top priority of the external trade agenda above bilateral regional trade agreements. Then FTAs by the EU served as means of neighborhood and foreign aid politics. Euro-Mediterranean Agreement was meant to support the EU’s neighborhood. The EU’s Economic Partnership Agreements with the African, Caribbean and Pacific countries include FTAs.

Beside the suspension of the WTO Doha round, another factor affected the EU’s attitude towards FTA. It is the spread of FTAs within APEC involving Asian ASEM partners such as Korea, Japan, Thailand, Singapore and EU’s main competitor, that is, the US. From 1997 to 2003, the number of initiated FTA projects in the Asia-Pacific rose from 12 to 49.¹⁷ For non-participant countries, FTA entails an economic loss resulting from the trade diversion.

The EU could not help negotiating FTAs with key East Asian economic partners in the absence of multilateral rules due to the failure of Doha round and in the incapacity of taking actions by ASEM.

4. FTA

Free trade between the EU and the Asian ASEM partners shall have to be achieved ideally through the inter-regionalism. However, an ‘ASEM FTA bridging the diverse European and Asian membership’\textsuperscript{18}) remains a remote possibility in years to come. This is due to (1) the diverse European and Asian membership; (2) the dialogue nature; (3) the lack of an institutional set-up within ASEM.

In order not to trail behind economic rivals in the time of proliferation of FTAs, the EU, through “Global Europe”, shifted its external policy priority from multilateral inter-regionalist approach to bilateral approach. Committed to the cause of economic growth and job creation, EU placed more emphasis on FTA negotiations with partners supposed to serve the EU’s trade interest rather than negotiations with regional entities for inter-regional co-operation.

In effect, the European Commission launched inter-regional FTA negotiations with ASEAN in 2007. However, the two partssuspended the negotiations in March 2009 due to the latter’s slow progress. Instead the EU member states agreed in December 2009 that the Commission would pursue, on the case-by-case basis, FTA negotiations with individual countries of ASEAN. Negotiations with Singapore and Malaysia were launched respectively in March and in October 2010.

FTA partners are checked and selected according to such economic criteria as “market potential (economic size and growth) and the level of protection against EU export interests (tariffs and non-tariff barriers)”,\textsuperscript{19)}

\textsuperscript{18}) Reiterer(2009) p.191.
\textsuperscript{19}) Commission of the European Communities (2006).
Korea emerged one of the priorities with ASEAN and Mercosur. Among countries of ASEAN, Singapore and Malaysia were chosen as the first to launch bilateral agreement negotiations with.

With the EU’s initiation of FTA negotiations with some of the Asian ASEM partners, a certain modification took place within ASEM. This was concerned with the enlargement of ASEM membership. ASEM 6 held in Helsinki in 2006 allowed India and Pakistan to become members of ASEM in addition to Bulgaria, Romania and Mongolia, Australia, New Zealand and the Russian Federation became ASEM members in ASEM 8 held in Brussels in 2010. Before these enlargements, there was another one in 2004. Myanmar, Laos and Cambodia were allowed to join ASEM. Because these three countries were new members of ASEAN, their entry did not blur the identity of Asian ASEM partners as East Asia. However, the entry of India, Pakistan, Australia, New Zealand and the Russian federation did make obscure Asian counterparts’ identity.

The increased diversity of Asian counterparts in ASEM provided the EU with the opportunity to launch FTA negotiations with some of the Asian ASEM partners. The enlargement of membership resulted in the fragmentation and the centrifugal tendency in the EU’s ASEM counterparts. The EU’s bilateral strategy was adopted against this backdrop. It was also affected by the fact that the status of the EU as an actor in international relations has been strengthened through the Treaty of Lisbon, in force since 1 December 2009.

Therefore we can conclude that the new generation of FTAs stands for the substitution of bilateralism for the EU’s inter-regionalist East Asia strategy embodied in ASEM.

The “Global Europe” has since 2007 initiated the new generation of
FTA negotiations. However, the EU has been on alert against the interpretation that it might signify the EU’s forsaking of its multilateral and inter-regionalist strategy. For the EU, it is asserted, a strong multilateral trading system still remains “the most effective means of expanding and managing trade for the benefit of all and provides a unique framework for dispute settlement”.\(^{20}\) That is why FTA negotiations should build on WTO rules. The new generation of FTAs should be “comprehensive in scope, provide for liberalization of substantially all trade and go beyond WTO disciplines”.\(^{21}\)

It is true that the Korea-EU FTA eliminates import duties on nearly all products and there are far-reaching liberalization of service trade covering all modes of supply and provisions on investments, protection of intellectual property, public procurement, competition rules, transparency of regulation and sustainable development. However, while The EU and Korea agreed that a FTA is by definition a discriminatory arrangement, the negotiation disclosed that they have widely different views as to what the discrimination might imply.\(^{22}\) For the EU, a bilateral agreement should be a complement to WTO rules, FTA should promote further openness and deeper integration by addressing issues remaining outside the WTO such as investment, government procurement, competition and intellectual property right enforcement. For Korea, discrimination means that the agreement must be tailored to the specific nature of the bilateral relationship and that the Korea-EU FTA will differ from the agreement concluded with any other trading partner, in particular Korea-US FTA.

\(^{20}\) Ibid.
\(^{21}\) Ibid.
\(^{22}\) I owe this part to Nicolas(2008).
As inter-regionalism has over the last 20 years been the EU’s foreign policy instrument “to build its international identity and increase its visibility, legitimacy and ability to project itself as an international actor”, it is not easy for the EU to abandon its inter-regionalist strategy. That is why the EU makes clear that the ultimate objective remains to reach an agreement with ASEAN even though the former launched bilateral negotiations with individual countries of ASEAN.

III. Conclusion

Korea-EU FTA is the first concluded and signed of the new generation of FTAs launched in 2007 as part of the “Global Europe”. Furthermore, it is the EU’s first bilateral agreement with an Asian partner. The FTA is provisionally applied since 1 July 2011.

In the time of proliferation of bilateral FTAs, however, the EU is still a role model for nation-states in that, as the most comprehensive regional integration, it exemplifies a mode of governance under which nation-states may put themselves in a better posture of defense against the globalization. In the context of EU-Asian relations, the EU’s inter-regionalism has always run parallel to special or strategic bilateral relationships with major players notably Japan, China and India. Therefore, the process of ASEM as an open inter-regional

24) Japan-Europe Cooperation was launched since the adoption of the European Community-Japan Joint Declaration in 1991. The China-EU relationships were established in 1975 and are governed by the 1985 EU-China Trade and Cooperation Agreement. The India-EU relations are framed by the 1994 Co-operation Agreement.
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channel could well be productive in terms of preparing the ground for future integration.

If ASEM as an inter-regional entity is to make a real contribution to the more effective global governance, it should 1) provide such efficient tools in political, economic and cultural relations between partners as to discourage bilateral agreements that could erode the WTO principle of non-discrimination and exclude the poorest countries: 2) develop further the specificities of ASEM so as for both of the European and Asian counterparts to persist with the regionalism that is to prove its usefulness or value-addedness in terms of economic growth and job creation.

Due to its last two enlargements, ASEM lost its region-to-region structure between the EU and East Asia. It is no longer limited to East Asia, but covers the largest part of Asia. Turning weakness into strength, ASEM can positively remain the EU’s vehicle for a more holistic approach to Asia, thereby fostering economic and political multipolar world order.
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〈Appendix〉

〈Figure 1〉 Structure of ASEM

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Through the “Global Europe” initiative (2006), the EU launched the new generation of FTA negotiations with its preferred trade partners. The Korea-EU FTA is the first concluded and signed of them. The EU’s recent trend to set store by bilateral agreements seems to substitute its traditional inter-regional strategy. With regard to the EU’s relations with East Asia, the latter has been institutionalized through the ASEM process while the former, through launching of FTA negotiations with such key trade partners as Korea, Singapore and Malaysia. The purpose of the article is to explain the shift of the emphasis from multilateralism and inter-regionalism to bilateralism. I will in the conclusion draw upon the possibility that, in the time of proliferation of bilateral FTAs, the process of ASEM as an open inter-regional channel could well be effective in terms of preparing the ground for future regional integration.

Key words: EU’s East Asia Strategy, ASEM; Inter-regionalism, Korea-EU FTA, Bilateralism

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