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Europe and Asia: A Strategic Framework for Enhanced Partnerships

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Europe and Asia: A Strategic Framework for Enhanced Partnerships

SUMMARY

The Commission first set out an overall framework for EC relations with Asian countries in its 1994 Communication “Towards a New Asia Strategy”. The present Communication updates that strategy, taking account of key developments in the intervening years, and establishing a comprehensive strategic framework for our relations with Asia and its sub-regions in the coming decade.

After commenting on the major economic, political and social changes in Asia, Europe and the world in recent years, the Communication takes stock of the development of EU-Asia relations since 1994. Our political dialogue with key partners in the region has intensified, and our trade and investment relations have expanded (notwithstanding the impact of the East Asian Crisis). There has been a modest growth in our development and economic cooperation with Asian countries. But much remains to be done, for example in deepening and broadening our political dialogue, in enhancing our bilateral trade and investment relations and strengthening our cooperation in the WTO, and in ensuring that our aid programmes in Asia can achieve their full potential. The degree of mutual awareness between our two regions remains insufficient.

Taking account of the above, the present Communication proposes that we should set an overall strategic framework for our relations with Asia in the coming decade based on the core objective 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.**

In particular, we should work to :

- contribute to peace and security in the region and globally, through a broadening of our engagement with the region;
- further strengthen our mutual trade and investment flows with the region;
- promote the development of the less prosperous countries of the region, addressing the root causes of poverty;
- contribute to the protection of human rights and to the spreading of democracy, good governance and the rule of law;
- build global partnerships and alliances with Asian countries, in appropriate international fora, to help address both the challenges and the opportunities offered by globalisation and to strengthen our joint efforts on global environmental and security issues;
- and help strengthen the awareness of Europe in Asia (and vice versa).

These general objectives and priorities are elaborated further in a series of specific action points for the region as a whole, and for each of the four key sub-regions (South Asia, South-East Asia, North-East Asia, Australasia).

This overall strategic framework (which may subsequently be amplified through specific sub-regional strategies as appropriate, as well as through the Country Strategy Papers focusing on development cooperation), will also serve as an important input for a proposed revision of the ALA Regulation in the first semester of 2002 (following on an overall evaluation now commencing). Looking forward, it will be important to take stock of progress on a regular basis, and it is suggested that the strategy may usefully be reviewed, and adapted as necessary, in five or six years' time.

For this strategic framework to be fully effective, it is essential that there is a proper consistency between the objectives being set, and the resources available to meet them. Our first priority is to ensure that the available resources are used in an effective and timely fashion, implementing fully the ongoing reform of our external assistance. Once this has been achieved, we will be better able to address the longer-term question of whether and to what extent the level of resources available for our cooperation activities with Asia should be increased.

In conclusion, the Communication emphasises that Asia is a crucial economic and political partner for Europe. More than ever before, the EU and its Asian partners should work together in addressing the global challenges which we both face, and the global opportunities which we should all be able to share. Our Asian partners are invited to reflect on their side on how we might address these issues together.

1. INTRODUCTION

In 1994, the Commission's Communication "Towards a New Asia Strategy"¹ set out for the first time an overall direction to be followed in our relations with Asia, and sought to build a more comprehensive and balanced framework for our relations with this vast region.

The 1994 Strategy paper covered South, South-East and North-East Asia. It emphasised the rapid economic changes that had taken place in the region over the previous decades, and the need to ensure an effective and proactive EU presence in the region. It set the key objectives of strengthening our economic presence in the region, contributing to its political stability through a broadening of our political and economic relations with the region as a whole, promoting the development of the less prosperous countries, and contributing to the spread of democracy, the rule of law, and human rights. It put forward eight key priorities to be addressed, including the continued strengthening of our bilateral relations, a raised profile of the EU in Asia, support for regional cooperation (with a view to enhancing peace and security), encouraging Asia to play a greater role in multilateral fora, ensuring open markets and a non-discriminatory business framework, encouraging the integration of state economies into the free market, contributing to sustainable development and poverty alleviation in the least prosperous countries, and the importance of ensuring a coordinated approach, across the EU, to our relations with the region.

This Strategy was subsequently elaborated further for specific countries or sectors in a number of more targeted Communications, touching for example on our relations with China, India, ASEAN, Indonesia, the ASEM process, and on the energy and environment sectors.²

Overall, the 1994 Asia Strategy has served us well (for an assessment of its implementation, see section 3 below). In many respects, the issues and responses identified there remain broadly valid today. However, the world has moved on since 1994, with significant economic and political changes both in Asia and in Europe, and with the acceleration of globalisation (and the intensification of the opportunities and challenges which that offers). In the coming years, the EU will experience a further transformation, with enlargement on the horizon, with the single market and single currency achieving their full potential, and with a continued strengthening in EU policy coordination, both in foreign policy and in justice and home affairs policies.

The present Communication thus seeks to review and update our approach to Asia, to provide a new strategic framework which will address the changes since 1994, and to establish a coherent, comprehensive and balanced strategic approach for our relations with Asia in the coming decade.

¹ COM(94) 314, 13 July 1994.

² For example, "A long-term policy for China-Europe Relations" (COM(95) 279, 5.07.95), "EU-India Enhanced Partnership" (COM(96) 275, 25.06.96), "Creating a New Dynamic in ASEAN-EU Relations" (COM(96) 314, 3.07.96), "Europe-Asia Cooperation Strategy for Energy" (COM(96) 308, 18.07.96), "The EU and Hong Kong : beyond 1997" (COM(97) 171, 23.04.97), "Perspectives and Priorities for the ASEM Process" (SEC(97) 1239, 26.06.97), "Europe-Asia Cooperation Strategy in the field of the Environment" (COM(97) 490, 13.10.97), "Building a comprehensive partnership with China" (COM(98) 181, 25/03/98), "The EU and Macau : beyond 2000" (COM(99) 484, 12/11/99), "Developing Closer Relations between Indonesia and the EU" (COM(00) 50, 2.02.00); "Perspectives and Priorities for the ASEM Process into the New Decade" (COM(00) 241, 18.4.00).

2. ASIA AND EUROPE AT THE START OF THE 21ST CENTURY

2.1. Asia

It has sometimes been suggested that even the term “Asia” may be a false concept, bestowing an artificial homogeneity on the vastly diverse economic and political geography of the region. But labels matter less than the reality which they represent, and it is the reality of Asia which is of essential importance for the EU. The present paper will take as its area of coverage the countries stretching from Afghanistan in the west to Japan in the east, and from China in the north to New Zealand in the south, plus all points between. It covers therefore those countries in South Asia, South-East Asia and North-East Asia which would meet any common definition of Asia (and which were covered in the 1994 Strategy). It also covers, for the first time, Australasia – given that the economic and political links of Australia and New Zealand with their neighbours to the north, and their geographic proximity, are sufficiently great that they should be treated here as part of the wider Asian and Asia-Pacific region³.

<i><u>An Asian Snapshot⁴</u></i>		
<i>Population 3.3 billion (56% of world total)</i>	<i>GNP \$7,440 billion (26% of world total)</i>	<i>CO₂ emissions 7.4 billion tonnes (33% of world total))</i>
<i>Per capita incomes</i>		
<i>Cambodia \$260</i>	<i>India \$450</i>	<i>China \$780</i>
<i>Malaysia \$3,400</i>	<i>S Korea</i>	<i>\$8,490 Japan \$32,230</i>
<i>Number of people living on less than \$1 per day 800 million (66% of the world's poor people)</i>		
<i>Asia's share of world trade 25.3% (developed Asia 14.2%, developing Asia 11.1%)</i>		
<i>Asia's share of EC exports & imports 21.1% & 31.2% (developed Asia 10.6% & 13.0%, developing Asia 10.5% & 18.2%)</i>		
<i>EU exports to Asia as % of EU GNP 2.3%</i>		

Apart from the region's demographic and economic weight, Asia has been the cradle of several of the world's major religions, and its cultural richness is unparalleled. It is also the locus of several longstanding sources of tension or conflict (for example in Kashmir, Sri Lanka, on the borders of Afghanistan, in Aceh and Mindanao, across the Taiwan Straits, in the South China Sea, and on the Korean peninsula). Several Asian states have a nuclear capability, and certain countries continue to cause concern in relation to the proliferation of

³ This paper does not however cover certain other regions or countries which might geographically be considered as part of the wider Asia and Asia-Pacific region – Pacific Russia, Central Asia, the developing countries of the Pacific, nor the countries of the Gulf or the Near East. In varying degrees, these all have significant political and (sometimes economic), relationships with Asia as a whole, and an understanding of these relationships is an essential part of the broader context of Asia. But in general the focus of their attention is elsewhere, and our relations with these countries are dealt with in a different context.

⁴ Data here and in the “EU Snapshot” on a later page are taken from the World Bank Development Report 2000/2001 (population and income figures, year 1999, emission figures, year 1996) and from Eurostat (trade figures, year 2000).

weapons of mass destruction. Asia is also home to two-thirds of the world's poor, with 800 million people living on less than \$1 per day, with food security, health, and access to basic services still ever-present issues in most of the lower-income countries of the region, and with serious disparities of income and opportunity still challenging many middle-income countries. Asia also has a critical role to play in addressing global, regional and local environmental challenges – reflecting the region's geographic, demographic and industrial weight, the importance of its natural resources and biodiversity, and the rapidity of economic and demographic change across the region. As an example, the region accounts for some 33% of global CO₂ emissions⁵, and issues relating to climate change, energy consumption and efficiency, forest and watershed protection, and biodiversity are necessarily high on the regional and global agenda.

In recent decades certain parts of Asia, through diverse but effective development strategies, have experienced an economic transformation, improving the living standards of hundreds of millions of people (notwithstanding the East Asian Crisis of recent years). The social and environmental costs of such rapid change remain to be fully addressed, and Asia also faces the same global challenges as Europe, be they economic insecurity, environmental degradation, the scourge of AIDS, or transnational crime. Yet Asia has also benefited from the opportunities which globalisation offers, and many countries in the region have shown their ability to exploit these opportunities to the full.

There is also a massive diversity across Asia. The region includes three of the five largest countries in the world, in population terms (China, India, Indonesia), and some of the smallest (Brunei, Bhutan, the Maldives) – as well as two countries with the highest and lowest population densities in the world (Singapore and Mongolia respectively). It includes some of the richest countries in the world (Japan, Singapore, Australia), and some of the poorest (from Afghanistan to North Korea)⁶. There is a tremendously rich cultural and religious diversity across the region, reflecting the historic civilisations of South Asia, of South-East Asia, of China, Japan and Korea, and for that matter the multiple cultural heritages of Australasia. Yet this same diversity can also be a source of tension, with acute ethnic or religious divides in certain countries, which in some cases threaten to rip apart the fabric of society. There is also a massive political diversity across Asia, , with Indonesia only recently emerged from a long period of “guided democracy”, and with other countries which are still subject to military or theocratic dictatorships. Nor should one forget the considerable wealth of diversity (ethnic, social or cultural) within certain countries of the region, whether in India or China, in Indonesia, the Philippines or Burma/Myanmar.

Since the 1994 Strategy was written, Asia has changed considerably, both economically and politically. The growing economic optimism which had characterised East Asia for several decades received a major blow from the financial and economic crisis which erupted in 1997. Beginning with a financial collapse in Thailand, the crisis spread quickly across the whole region. Across most of East Asia the origins of the crisis lay both in internal issues of financial and corporate governance, debt management, and democratic accountability, and in

⁵ In 1996, Asia as a whole accounted for some 33% of global CO₂ emissions (compared with 23% from the US, and 14% from the EU). Within the Asian total, some 85% was accounted for by the five largest industrial and industrialising economies (China, Japan, India, South Korea and Australia).

⁶ Eight Asian countries have been categorised as Least-Developed Countries (LLDCs) by the United Nations : Afghanistan, Bangladesh, Bhutan, the Maldives, Nepal, Burma/Myanmar, Cambodia, and Laos (in addition to Yemen, which is not covered in the present paper). North Korea, while not on the LLDC list, can also be considered as one of the poorest countries in the world.

external issues relating to cyclical demand for key exports, and to the mobility and volatility of short-term capital flows. Both the social and political impact of the crisis has been considerable, with several governments across the region falling as a result, and with Indonesia in particular experiencing the most severe economic and social strains.

A relatively rapid economic recovery has confirmed the underlying economic dynamism of the emerging economies of East Asia. Europe's own contribution to this recovery, in particular through keeping our markets open and building on the "trade and investment pledge" made at the second ASEM Summit in London in April 1998, has been of crucial importance. The changes in trade flows arising from the crisis have meant that the EU's trade deficit with Asia rose from €13.3 billion in 1996, to €121.5 billion in 2000.⁷ The crisis has nonetheless underlined the imperative need for all the countries concerned (Japan no less than China and other emerging economies of the region⁸) to continue with a pro-active reform agenda, both in the financial and corporate sectors and in the field of social policy.⁹

In South Asia, notably in India, recent reforms have benefited the economy and supported a more modest but regular rate of growth. Such reforms must continue, and spread more widely across the region, if these countries are to take full advantage of the trade and investment opportunities available to them.

The political scene in Asia has also changed considerably in recent years. In the Sub-Continent, the ongoing tensions between India and Pakistan over Kashmir have now taken on a nuclear dimension. In South-East Asia, the political transition and economic crisis in Indonesia has helped lay a foundation for democratisation and improved governance, while also seeing an increase in centrifugal pressures which may threaten the integrity of the country. ASEAN has expanded its membership to include Burma/Myanmar, Cambodia and Laos, while East Timor, on the verge of becoming an independent state, may shortly apply to become ASEAN's eleventh member. In North-East Asia, President Kim Dae Jung's "Sunshine Policy" has brought a dramatic change to the prospects for peace on the Korean Peninsula, while China continues to pursue its internal economic and social reforms, and to exert an increasing economic and political influence across the region, becoming more assertive in the pursuit of its regional and global interests.

The late 1990s have also seen a marked increase in efforts at regional dialogue and cooperation, particularly in East Asia, with the birth of the "ASEAN plus 3" dialogue (and the earlier establishment of an East Asian presence in ASEM), with the gradual strengthening of the ARF as a confidence-building forum, and with increasing signs of a growing sense of East Asian identity (perhaps influenced in large part by a shared experience during the financial crisis). At the same time, ASEAN itself seems to have lost some of its momentum in recent years, partly reflecting Indonesia's preoccupation with internal concerns, partly reflecting the underlying difficulty of some of the issues with which ASEAN has been faced

⁷ In 2000, the EU had a global trade deficit of €86.9 billion, representing a deficit of €121.5 billion with Asia (plus €26.7 billion with the CIS, €4.9 billion with ACP countries and €1.0 billion with South & Central America), and a surplus of €67.2 billion with the rest of the world.

⁸ The continued recession in Japan has prevented that country from playing its traditional motor role in absorbing exports from elsewhere in the region, a role which for the moment at least has largely been taken over by the EU and the US.

⁹ In this context, the EU also made a significant contribution in terms of policy advice following the Asian crisis, notably through the ASEM Trust Fund and the European Financial Expertise Network (EFEX).

(for example in completing AFTA, in responding to the financial crisis, and in absorbing three new members). In South Asia, which in many respects remains distinct from the rest of the region, SAARC offers the opportunity of a broad regional cooperation with diversified aims, even if political tensions continue to hinder the establishment of a proposed “South Asia Free Trade Area”, an essential step towards the insertion of that region into the international economic environment.

2.2. Europe

Compared with Asia, Europe has a similar total economic weight, though this is shared among a very much smaller, and richer, population. Europe, like Asia, draws benefit from a rich diversity of cultural and linguistic traditions, but our shared heritage (of conflict as well as of cooperation) has led us to undertake the most far-reaching exercise in regional integration in the world, with a single market uniting the European economic space, and since 1999 a single currency of global importance. This integration has also permitted us to benefit from more than 50 years of internal peace, and to prepare now to re-unite a broader Europe, previously divided by ideology. However, the 1990s also saw a series of murderous ethnic conflicts on the borders of the Union, which present the most serious threat to European peace and security since the end of the Cold War.

<u>An EU Snapshot</u>			
<i>EU 15</i>	<i>Population 375 million</i>	<i>GNP \$8,213 billion</i>	<i>CO₂ emissions 3.1 billion tonnes</i>
	<i>(6% of world total)</i>	<i>(28% of world total)</i>	<i>(14% of world total)</i>
<i>Candidates</i>	<i>Population 168 million</i>	<i>GNP \$556 billion</i>	<i>CO₂ emissions 1.0 billion tonnes</i>
<i>EU + Candidates</i>	<i>Population 544 million</i>	<i>GNP \$8,769 billion</i>	<i>CO₂ emissions 4.1 billion tonnes</i>
	<i>(9% of world total)</i>	<i>(30% of world total)</i>	<i>(18% of world total)</i>
		<i>Per capita incomes</i>	
<i>EU 15</i>	<i>\$21,877</i>	<i>Candidates</i>	<i>\$3,306</i>
			<i>EU+Candidates</i>
			\$16,131
<i>EU 15 share of world trade</i>			
<i>EU Internal trade</i>	23.3%	<i>EU External trade</i>	14.4%
		<i>EU total trade</i>	37.7%

Europe itself has experienced considerable change in recent years. The birth of the European Union, with the Treaty of Maastricht in 1992, coincided with the effective completion of the Single Market launched in the 1980s. Since then, the launch of the euro in 1999 has created a full economic and monetary union covering most of our Member States, and launched a major new world currency. The EU's economic record has also improved significantly in recent years, with steady if moderate economic growth and low inflation, partly reflecting a new spirit of liberalisation and innovation across European industry, partly reflecting the economic and monetary discipline required for monetary integration (and also looking forward to taking full advantage of the opportunities offered by the emerging knowledge society). With sound macroeconomic fundamentals and on-going structural reforms, the EU and its Member States will provide an important pole of growth and stability in the global economy.

Preparations are currently well underway for the enlargement of the Union from 2003 onwards, with the eventual perspective of a European Union of up to twenty-eight members,

and a population of 544 million. The EU's external relations have also been transformed as a result of the Maastricht and Amsterdam Treaties, with the creation in 1993 of a Common Foreign and Security Policy (and the strengthening of this policy from 1999 in building a European Security and Defence Policy), and the increasing importance of Justice and Home Affairs issues in our external relations (both in the first and third "pillars"). The Nice Treaty, when ratified, will further consolidate EU institutions and prepare the ground for enlargement. And the Commission itself has undergone significant change in recent years, with a re-focusing of our priorities and resources, and with an extensive reform underway in relation to the management of our external assistance.

2.3. The global context

As Asia and Europe have evolved, so has the global context in which we operate. "Globalisation" as such is hardly a new phenomenon, and the 18th and 19th centuries also saw rapid and far-reaching changes in the organisation of the world economy. What is new in recent years is the speed at which events in one part of the world influence conditions in another, and the intensity of our economic, political, and social interdependence. The East Asian Crisis may have brought home to the countries of the region their dependence on international capital flows, and emphasised again the importance of international trade as a motor of growth and recovery. But Europe also is subject to the same market disciplines, and needs to be no less vigilant on the need for good governance in the financial and corporate sector, or on the essential importance of responsive and affordable social policies.

This increasing global interdependence also brings with it increasing global responsibilities. The EU and its Asian partners have a shared interest in promoting peace and security at the global level, in enhancing the effectiveness of the UN, and in addressing global environmental challenges. It is also in our common interest to address the "dark side of globalisation", combatting transnational crime (including trafficking in women and children, the smuggling of illegal migrants, the drugs trade and money laundering) and terrorism, and addressing global scourges such as poverty and epidemic disease. HIV/AIDS in particular is spreading rapidly in parts of Asia, with a potentially severe economic impact on top of its terrible human costs.

Globalisation of course offers opportunities as well as challenges. Many Asian countries, particularly in East Asia, have benefitted greatly over several decades from a strong growth performance led by exports and by foreign investment (and the East Asian Crisis is likely to have represented only a temporary correction in this process). Europe's own growth record, slower and more mature than that of Asia, has itself been very largely dependent on foreign trade and investment, and on the success of the open and rules-based multilateral trading system established under the GATT and now the WTO.

It is in the imperative interest of both regions to see this system strengthened further, and in particular to see the early launch of a new Round of multilateral trade negotiations. These negotiations, on the basis of a comprehensive agenda including such key issues as investment and competition, will be crucial in helping revitalise growth in Asia in the aftermath of the financial crisis, and in particular in encouraging increased FDI flows to the region. The further strengthening of the multilateral trading system is even more important for the poorer countries of Asia, which would stand to lose most from any possible shift of emphasis from multilateralism towards plurilateral or bilateral trading arrangements – particularly if such arrangements turn out to be more trade-diverting than trade-creating, or if the poorer countries are simply left out.

It will therefore be in the joint interest of the EU and its Asian partners to work towards the further strengthening of the WTO, and for a further reduction in both tariff and non-tariff barriers around the world. The successful integration of China into the WTO will be crucial in this respect. At the same time, it will be essential for the developing countries of the region (no less than for developed countries) to build a sound policy framework to maximise the opportunities offered by globalisation. The risk otherwise is that the 800 million people living under the poverty line in Asia will become further marginalised.

It is likewise in our joint interest that the EU and its Asian partners work together to strengthen global efforts in relation to climate change, and the industrialised and industrialising countries in the region (particularly Japan, China, and India) have a crucial role to play in helping move forward the global environmental agenda. It must be acknowledged that major Asian countries are already undertaking significant steps to reduce greenhouse gas emissions, even without formal reduction or limitation commitments under the Kyoto Protocol. The EU, together with other industrial countries, should continue to support these efforts through technology transfer and related assistance as appropriate. Continued efforts to ensure a comprehensive global commitment to combating climate change will be of critical importance in protecting the interests of future generations in both our regions, and across the world.

Information has also become global in the 1990s, with the internet and email. The full effects of this information revolution have yet to be realised, but the scope which it offers for direct and immediate contact is already transforming our interaction with even the most distant regions of the world. Access to information will be a crucial determinant of any society's ability to respond to these new opportunities, and the closing of the "digital divide", both within and among our societies, will be of critical importance here.

3. RELATIONS BETWEEN THE EU AND ASIAN COUNTRIES : TAKING STOCK

The EU's relations with Asian countries have certainly evolved tremendously over recent years, and there is no doubt that the balanced and comprehensive approach called for in the 1994 Strategy has played an essential part in modernising our relations with this vast region. Much has been achieved since 1994, even if there is still a great potential for strengthening our relations further.

Since 1994, our **political dialogue** with key partners in the region has developed considerably, with new Summit dialogues in the Asia-Europe Meeting (ASEM) and with China, India, Japan and (soon) Korea, with the ongoing EU-ASEAN dialogue, including active EU participation in the ASEAN Regional Forum (ARF), and with continuing high-level contacts with Australia and New Zealand. The EU has continued to make an active contribution to peace and security issues in the region, for example in our assistance for the establishment of democratic government in Cambodia and East Timor, our support for refugees in and from Afghanistan, and in our support for the inter-Korean dialogue and our contribution to KEDO. The EU has also established an important human rights dialogue with China (and hopes to develop such a dialogue with North Korea); in Indonesia we are actively supporting efforts towards the strengthening of governance and civil society participation; and in relation to Burma/Myanmar and Pakistan the EU continues to encourage any opening towards democracy.

These are solid foundations on which we can build in enhancing our dialogue with the countries of the region. We should be able to discuss issues on which we may have differing views as well as identify areas of shared concern. We should emphasise areas where the EU and its Asian partners can work together in addressing the global challenges which face us all. And we should intensify joint efforts to strengthen the international institutions on which we all depend.

The institutional framework for our relations with Asian countries varies,¹⁰ and only a few countries in the region have as yet entered into fully comprehensive (“third-generation”) cooperation agreements with the EC. In this respect, Asia lags well behind other regions, such as Latin America, the Mediterranean and the CIS. Upgrading the institutional basis for our relations with key partners in Asia would allow for a more coherent approach to all relevant issues (in the political and security fields as well as on economic and development issues), would create a powerful stimulus for the intensification of our dialogue and cooperation in all areas, and would give a clear public signal of the commitment of both parties to raise our relationship to a new level.

The EU and India : a partnership between the world's largest democracies

The EU-India partnership reached a turning-point with our first Summit Meeting, in Lisbon in June 2000. The Summit agreed to build a coalition of interest in addressing global challenges such as the promotion of peace and security, the elimination of nuclear weapons, the fight against terrorism and international crime, and climate change, as well as setting an agenda to help us work together to fully utilise the huge economic and commercial potential of our respective markets, and reinforce our cooperation in the fields of research, science and technology¹¹

The EU is also committed to work closely with India to address the challenge of eliminating poverty. Since 1994, EC support for social reform in India, particularly in the primary education and basic health sectors, has yielded impressive results.

Our **trade and investment** relations with Asia have expanded substantially, notwithstanding the substantial medium-term impact of the “East Asian Crisis” which erupted in 1997. In 2000 Asia accounted for 21.1% of total EU exports, making Asia our third-largest regional trading partner¹². On the investment side Asia as a whole remained the fourth-largest regional investment destination for the EU, accounting for 6.8% of EU outward FDI flows and 9.2% of EU outward FDI stocks in 1999, the latest year for which figures are available.¹³ However, the bulk of EU outward FDI continues to go to North America, and EU FDI flows to South-

¹⁰ The EC is bound by comprehensive cooperation agreements (including clauses related to the commitment of both partners to human rights, democratic principles and the rule of law, and to the eventual suspension of the agreement) with five countries in Asia – Nepal, Laos, Cambodia, Bangladesh and South Korea; a similar agreement, not yet concluded or signed, has been negotiated with Pakistan. Similar agreements (but without a suspension clause) govern the EC's relations with four countries – India, Mongolia, Sri Lanka and Vietnam – and with Macao. An older style of cooperation agreement is still in force with nine of the member countries of ASEAN (Vietnam, Laos and Cambodia having acceded to this in addition to their separate, later bilateral agreements), and with China. Our relations with Australia, New Zealand and Japan are governed by Joint Declarations.

¹¹ The Commission adopted in July a draft Council decision for scientific and technological cooperation between the European Community and the Government of the Republic of India

¹² Asia, with 21.1% of our exports (extra-EU) in 2000, came after Europe outside the EU (30.9%) and NAFTA (28.4%), but accounted for more of our external trade than the Mediterranean, South & Central America, the Gulf and the ACP countries combined (17.1%).

¹³ Asia's 6.8% share of EU outward FDI in 1999 put it in fourth place, after NAFTA (67.5%) and Central & South America (15.1%), and only a fraction behind Europe outside the EU (7.5%).

East Asia in particular have not yet recovered from the East Asian Crisis. Both in our bilateral dialogue with key partners in the region, and in the WTO, the EU has worked consistently to reduce barriers to our two-way trade and investment and to enhance the institutional, legal and regulatory climate facing our economic operators. We have also made great efforts through our economic cooperation programmes such as Asia Invest to encourage European SMEs to better utilise the trade and investment opportunities available in Asia.

The EU and Japan : expanding our cooperation

Japan is the EU's second-largest export market (after the US), and a major investor in the EU. A healthy Japanese economy is of critical importance for our own prosperity as well as that of their regional neighbours. But our relations with Japan go far beyond the purely economic, with an increasing cooperation on global and regional issues, expressed in particular in the new "Action Plan" to be adopted at the 2001 EU-Japan Summit. Building on this, our task in the coming years will be to express this global partnership in concrete terms, whether in the political, economic or social field, both in multilateral institutions and in our bilateral relations.

We must however strengthen further our dialogue and cooperation with Asia on trade and investment issues, and on broader macro-economic policy matters. Both in the WTO, and in our bilateral discussions with Asian partners, we should redouble our efforts to enhance the open multilateral framework for trade and investment, to remove non-tariff barriers to trade and investment, and to enhance the legal, regulatory and technical framework for our economic operators. We should continue our work to improve trade access for the poorest developing countries (a responsibility incumbent also on the more advanced developing countries in Asia). And we should build a stronger dialogue on economic and financial policy issues, sharing our own experience on regional macro-economic cooperation, and encouraging the broader use of the euro as an international currency.

Our **cooperation funding** for the developing countries in Asia has grown moderately in recent years, averaging some €438 million per year in 1996-2000 (development aid and economic cooperation combined), as against €363 million per year in 1991-1995. There has however been a significant evolution in terms of focus (with more than 80% of our development aid for Asia going to the low-income countries), while new programmes in mutually-beneficial economic cooperation have been introduced with particular interest for the more advanced countries in the region. Taking EC and Member-State aid efforts together, the EU continues to account for 30% of total ODA flows to Asia.¹⁴

The bulk of this assistance has been focused on direct poverty-reduction measures, for example through support for the health and education sectors, rural development, and institutional capacity-building. The environment sector has also received significant support, with substantial programmes in areas such as forest protection, biodiversity, and environmental technology. Attention has also been paid to strengthening the economic links between our two regions, both in helping upgrade the trade and investment climate, and in promoting contact between economic operators in the two regions.

Much remains to be done, however, to ensure that EU aid programmes in Asia can achieve their full potential. The Commission has already launched a far-reaching reform of the

¹⁴ In 1998-99, on average, EU donors as a whole accounted for 30.4% of total ODA flows to Asia, coming after Japan (50.9%) but well ahead of the USA (9.2%). This can be compared with an EU share of 47.5% of ODA flows world-wide, compared to 27.2% for Japan, and 16.2% for the USA. (DAC figures).

management of our external assistance programmes, and the full and effective implementation of these reforms will be an immediate priority for us. The allocation of our aid funding should fully reflect the focus on poverty reduction in the Commission's recent Communication on Development Policy.¹⁵ We should strengthen our economic cooperation with Asia, in our mutual interest, and we should continue to ensure that environmental considerations are fully integrated within our cooperation activities, while strengthening our work in such key fields as energy, environmental technology and biodiversity.

The EC also provides substantial **humanitarian assistance** in Asia. Over the three years from 1998 to 2000, an average of €77.4m per year was provided in humanitarian assistance following natural or man-made disasters in Asia. This accounted for 12.8% of the EC's humanitarian assistance efforts world-wide. In the year 2000 alone, humanitarian assistance was provided to well over a dozen countries in Asia, according to needs. Particular efforts were made in relation to Afghanistan, Cambodia, India, Indonesia, North Korea, Mongolia, the Philippines, Thailand (Burmese refugees) and East Timor. At the beginning of this year a substantial contribution was made for the victims of the earthquake in Gujarat in India. Work on disaster prevention has also continued, with a second phase of the DipEcho programme funded in 2000.¹⁶

One element which does not seem to have evolved greatly is the degree of **mutual awareness** between our two regions, with stereotypes on both sides still casting Europe as introspective and old-fashioned, and Asia as a distant and exotic continent, presenting more challenges than opportunities. Much more needs to be done to raise the profile of Europe in Asia. It will be imperative to strengthen and expand the network of EC Delegations in the region.¹⁷

The EU and emerging East Asia : ASEAN and China

Growth has resumed in most of the emerging economies of East Asia following the economic crisis, and their ongoing transformation is changing the face of the region. The EU's political and economic relations with these countries have deepened considerably since 1994, accompanied by a broadening in our range of cooperation activities

Our relations with China continue to intensify, through frequent contacts at all levels, from annual Summits to expert meetings. The successful EU-ASEAN Ministerial Meeting in Vientiane in December 2000 set the scene for further strengthening this longstanding relationship, and the EU plays an increasingly active role in the ASEAN Regional Forum

The continued intensification of our relations with these countries, and the concrete results being achieved, will be a litmus test for EU-Asia relations in the coming years.

In addition, it will be important to strengthen our educational and cultural exchanges with the region (within our economic cooperation programmes), to broaden and intensify the range of seminars and conferences bringing together think-tanks and policy-makers from both regions, and to strengthen information and communications activities through our Delegations and through the Internet.

¹⁵ "The European Community's Development Policy", COM(2000) 212, 26 April 2000.

¹⁶ Asia was the third-largest beneficiary of EC humanitarian assistance in the period 1998-2000, coming after ex-Yugoslavia (36.8% of total commitments) and the ACP countries (24.4%), and followed by the CIS countries (7.9%), Middle East & North Africa (6.3%), and Latin America (6.1%).

¹⁷ The EU currently has twelve Delegations in the region, in Colombo, Dhaka, Islamabad, New Delhi, Bangkok, Hanoi, Jakarta, Manila, Beijing (plus an Office in Hong Kong), Seoul, Tokyo, and Canberra. Two of these (Hanoi and Colombo) have been opened since 1994.

4. OBJECTIVES, PRIORITIES AND ACTION POINTS

4.1. General objectives and priorities

The general policy objectives of the EU in its relations with Asia, as with other parts of the world, are set out in the EC and EU Treaties. To translate these general objectives into clear strategic priorities and action-points, our approach should be coherent and comprehensive, and should respond to the diversity of Asia. It should be realistic and focused, setting clear priorities which can be addressed within the resources available to us. It should emphasise the comparative advantage of the EU, and the value-added which we can offer – reflecting for example the EU's role as the largest single market in the world and the largest source of global FDI, and as the largest single source of ODA and of humanitarian assistance. It should also emphasise those areas where the EU's own experience and diversity may be of particular relevance in addressing issues such as regional cooperation and social policy.

In particular, our approach should reflect **tomorrow's agenda**, the forward-looking agenda of an enlarged European Union, and the implications of that for our relations with Asia in each of the three pillars. In this context, and taking account of the overall objectives of the EU, of the achievements and unfinished business of past years, and of the new challenges now to be faced, we can set one clear **core objective** to guide the future development of EU-Asia relations into the coming decade: **we must focus on 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.**

In order to meet this objective, we should in particular work to :

- contribute to **peace and security in the region and globally**, through a broadening of our engagement with the region;
- further strengthen our **mutual trade and investment flows** with the region;
- promote the **development of the less prosperous countries** of the region, addressing the root causes of poverty;
- contribute to the **spreading of democracy, good governance and the rule of law**;
- build **global partnerships and alliances** with Asian countries, in appropriate international fora, to help address both the challenges and the opportunities offered by globalisation, and to strengthen our joint efforts on global environmental and security issues;
- and help strengthen the awareness of Europe in Asia (and vice versa)

4.2. Action points for the region as a whole

A. In contributing to **peace and security** in the region and globally, the EU should work in particular to

- strengthen our engagement with Asia in relation to old and new **global and regional security issues**, both in our bilateral and regional relations, and in the UN framework. The EU should in particular play a pro-active role in regional cooperation fora such as the ARF, and in inter-regional dialogues such as ASEM;

- support **conflict prevention efforts**, and promote an enhanced sharing of experience between Europe and Asia concerning longer-term confidence-building measures. The Commission will in particular be guided by its recent Communication on conflict prevention,¹⁸ emphasising preventive action in a framework of international cooperation and coordination, and mobilising all Community instruments more effectively;
- strengthen our dialogue and cooperation with Asia in relation to **justice and home affairs issues**. Areas such as visa, asylum, immigration and other policies related to the free movement of persons are increasingly important in our relations with Asia as with other regions. In addition to addressing these issues, we should also strengthen our joint efforts to combat transnational crime, for example in areas such as the fight against drugs, trafficking in human beings, trafficking in arms, money-laundering, the exploitation of migrants, and fighting corruption.

In our political and security relations with Asia, we should :

- *strengthen our engagement on regional and global security issues;*
- *strengthen our dialogue and cooperation on conflict prevention issues;*
- *and enhance our cooperation on justice and home affairs issues.*

B. In strengthening our **mutual trade and investment flows** with Asia, the EU should work in particular to :

- further develop our **bilateral economic relations** with Asian partners, in particular by strengthening our efforts to improve market access and investment conditions on both sides, and by helping those countries which are seeking to build a business climate conducive to trade and investment. Intensified efforts to reduce technical barriers to trade, and to promote transparency and predictability in the legislative and regulatory context, will be of particular importance here. We should also work to strengthen our cooperation with regional groupings like ASEAN (which are a force for liberalisation and progress on trade and investment issues), and examine means of reinforcing our trade and investment links with the Asian countries in general;
- help strengthen **private-sector cooperation** between Europe and Asia, in our mutual interest, through support for contacts between economic operators in Europe (particularly SMEs) and in Asia. A particular attention should also be paid to the high-technology sectors which will help determine our common future, such as information and communications technology, transport and energy. The EIB will continue to play its role in supporting European investment in the region ;
- strengthen our dialogue on **economic and financial policy**, and encourage sound policy reform in the financial and corporate sector. Europe's own experience in regional cooperation on economic and financial policy may be of particular interest to Asia, and we should in addition encourage Asia to take maximum advantage of the new possibilities offered by the euro.

¹⁸

“Conflict Prevention” (COM(2001) 211, 11 April 2001).

- enhance **market access for the poorest developing countries**, for example through the effective implementation of the recently agreed “Everything But Arms” initiative and the continued enhancement of our GSP system, and in line with existing EC policies. We should also encourage the middle-income countries in the region to strengthen their own contribution in this area.
- Take into account the essential role of transport in the continuation and development of trade between Europe and Asia and the growing inter-dependence of Europe and Asia in energy supply and demand. Furthermore, co-operation between Europe and Asia on energy use both in transport and in industry will be necessary in order to attempt to meet the climate change objectives of the Kyoto Protocol

In enhancing our economic and commercial links with Asian partners, we should :

- *work to strengthen our bilateral economic relations, reducing non-tariff barriers to trade and facilitating investment, and helping build a pro-development policy climate;*
- *support cooperation between economic operators in our two regions;*
- *strengthen our policy dialogue on economic and financial issues, and promote the use of the euro internationally;*
- *continue to ensure favourable market access for the poorest developing countries;*
- *Recognise the role of transport and energy in our trade relations as well as the impact of both sectors on the environment.*

C. In promoting development in the region, the EU should in particular :

- strengthen our efforts towards **poverty reduction**, particularly in the poorest countries of the region, and contribute to the achievement of the International Development Targets by 2015. This will be achieved through a strengthened focus on key poverty issues and new ways of working as set out in the Joint Commission and Council Statement on EC Development Policy;¹⁹ themes of particular interest for Asia shall include trade and development, sector programmes in social areas (notably health and education), economic and social governance and institutional capacity-building, and the link between environmental conservation and poverty;
- strengthen our **dialogue on social policy issues**, sharing Europe’s own experience in addressing the challenges of modernisation and globalisation. There is much to be gained from dialogue and exchange of best practice on the links between trade and social development, including the promotion of core labour standards.²⁰ There is no single “European model” of social governance, but Europe’s own diversity, and our long experience of working to combine economic dynamism with social equity, may be of particular interest to many Asian partners;
- and pursue vigorously the reform of the **management of EC external assistance**,²¹ ensuring that our scarce resources are used to the best possible effect;

In promoting development, the EU must work together with our Asian partners to :

¹⁹ Declaration of Development Council, November 2000.

²⁰ “Promoting core labour standards and improving social governance in the context of globalisation” (COM (2001) 416, 18.7.2001).

²¹ “Reform of the Management of External Assistance” (SEC(2000) 814, 16 May 2000).

- *help reduce poverty in the poorest developing countries of the region;*
- *strengthen our dialogue on social policy issues;*
- *while completing the reform of our own aid management.*

D. In contributing to the **spreading of democracy, good governance and the rule of law, and respect for human rights**, we should, in line with the Commission's recent Communication on this subject²²:

- work together with Asia to **uphold the universality and indivisibility of human rights**, and pursue a constructive dialogue both in bilateral fora (for example in our human rights dialogue with China), and in regional and multilateral fora, notably in the UN and its different agencies, in particular the ILO. We should also encourage the signing and ratification of the principal human rights instruments by those countries who have not yet done so;
- encourage the **strengthening of civil society** across the region, and promote a broader civil society dialogue between our two regions;
- and **mainstream human rights and governance issues** in our cooperation activities with Asia.

In contributing to democratisation, good governance and the rule of law, and respect for human rights we should strengthen our bilateral and multilateral dialogue with our Asian partners, encourage civil society dialogue, and ensure that human rights and governance issues are mainstreamed in our cooperation activities.

E. In building global partnerships and alliances with Asian partners, we should in particular :

- work together to strengthen our cooperation in the **United Nations**, for example in working for the early and comprehensive ratification of major international instruments such as the CTBT or the conventions on small arms and anti-personnel mines, and for a future global anti-corruption instrument; enhancing the non-proliferation regime and efforts to control other weapons of mass destruction; working for the reform of the UN system including a comprehensive reform of the Security Council in all its aspects; working to strengthen UN peacekeeping efforts through the support of a timely implementation of the recommendations contained in the Brahimi Report; and reinforcing the functioning of the UN system by encouraging a prompt and full payment by all partners of contributions based on the new scales of assessment including arrears;
- strengthen the open and rules-based international framework embodied in the **WTO**, both through building support for the early launching and successful completion of a comprehensive new Round of multilateral trade negotiations, and through working for the early accession of China and other Asian countries/economies who have yet to become members. A multilateral approach is the only realistic way forward in promoting our joint interests, and in safeguarding the particular interests of the poorest developing countries;

²² “The EU's role in promoting human rights and democratisation in third countries” (COM(2001) 252, 8 May 2001).

- address global, regional and local **environmental challenges**, working together in international fora to strengthen our joint efforts in relation to climate change and the deterioration of the global commons, and in supporting efforts to promote sustainable resource management and to address urban and industrial environmental problems. Climate change, for example, poses a serious threat to a number of countries in Asia, and we should redouble our efforts to work with the more advanced developing countries in Asia on these issues. We should also take care to integrate environmental considerations into all areas of bilateral and inter-regional cooperation, including our scientific and technological cooperation efforts;
- strengthen our dialogue and cooperation with Asia in relation to **global challenges**, and in particular the fight against transnational crime, against terrorism, corruption, xenophobia, racism and fundamentalism of all kinds, and against epidemic disease (including HIV/AIDS in particular), while working also to enhance the access of the poorer countries in Asia to the **global opportunities** offered by new technologies, and helping diminish the knowledge and digital divides;
- and address the need for reinforced inter-regional **scientific and technological cooperation** to foster common analyses of and solutions to shared regional and global problems.

In building global partnerships with our Asian partners, we shall in particular work together to:

- *strengthen the work of the United Nations and its different agencies;*
- *strengthen the open international trading system embodied in the WTO;*
- *safeguard the global environment;*
- *and combat global challenges while maximising global opportunities.*

F. In increasing the awareness of the EU in Asia, expressing better our economic and political presence in the region, and building on both the adoption of the single currency and the pursuit of a more effective common foreign and security policy, we should in particular :

- raise the EU's profile across Asia, strengthening and broadening our **network of Delegations** across the region, enhancing EU coordination at all levels, and intensifying information and communication efforts across the region. As indicated in the Commission's recent Communication on the development of the External Service,²³ and in addition to strengthening our existing Delegations (notably in the context of deconcentration of aid management), the Commission also proposes to open new Delegations in those countries where we are still under-represented politically, taking into account both trade and cooperation issues. In particular, it is proposed that new Delegations be opened in Malaysia and in Singapore, and in Cambodia, Laos and Nepal.. Consideration will also be given to opening a trade representation office in Taiwan;
- work to strengthen **educational, scientific and cultural exchanges** with Asia, through support for enhanced cooperation between higher education institutions, an intensification of academic, research and student exchanges between our two regions, and the promotion of structural networks enabling mutually beneficial cooperation. Europe has a great deal to

²³

“The Development of the External Service” (COM(2001) 381, 03 July 2001).

offer in the field of higher education²⁴ and scientific research, yet the great majority of Asian students studying abroad tend to go to North America or Australasia as a first priority. Equally, the number of European academics or students with links to Asia remains very small, while European Studies remains an underdeveloped field in most Asian countries;

- promote a strengthening and broadening of **civil society partnerships** between our two regions (whether among our parliamentary representatives, local authorities, NGOs, youth associations, consumer groups, or professional associations), and an intensification of **intellectual contacts and networking** in relation to the challenges facing our two regions.

In upgrading the EU's overall presence in Asia, we should :

- *strengthen and expand the network of EC Delegations across the region;*
- *and work to strengthen educational and cultural exchanges between our two regions, and to promote enhanced civil society contacts and intellectual exchanges.*

4.3. Action points for the different regions of Asia

The strategic priorities and action points described above set out a common foundation for relations between the EU and Asian countries across the board, and should guide us (mutatis mutandis) in developing our relations with Asia as a whole. Reflecting the underlying diversity of Asia, these general guidelines should be developed further for each of Asia's sub-regions and for our key partners across the region, both in our Country Strategies for development cooperation with individual developing countries, and in occasional Communications relating to our major partners. But it is already possible to indicate certain key issues to which emphasis must be given for each of the major regions of Asia.

South Asia

The continuing tensions between India and Pakistan (and the imperative need to encourage progress towards nuclear disarmament, and the peaceful resolution of the Kashmir issue), as well as the threat to regional stability posed by terrorism, religious fundamentalism and ethnic conflict (notably for Afghanistan and Sri Lanka), illustrate the importance of political and security issues in the Sub-Continent. The EU should reflect more deeply on the major political challenges facing the region, and be ready to adopt a more assertive and forward-looking approach to its policy dialogue with the key countries in the region. India's role as a regional and global player, and the further enhancement of EU-India relations, will merit our special attention. An early restoration of parliamentary democracy in Pakistan will be a prime factor in paving the way for enhanced cooperation with that country.

Doubts regarding globalisation and a new WTO round have perhaps been greater in South Asia than elsewhere in the region. The EU should take this into account in preparing a comprehensive economic and commercial strategy towards South Asia, enhancing our dialogue with the countries of the region on trade and investment liberalisation and policy reform, and addressing the commercial concerns of both sides. Local strengths in high-tech sectors, and the ongoing economic reforms in India, should be used to encourage a greater focus on the Sub-Continent by European economic operators. Efforts towards stronger sub-

²⁴ “Strengthening cooperation with third countries in the field of higher education (COM(2001)385, 18 July 2001”.

regional economic cooperation within SAARC should be encouraged, as well as a stronger integration of South Asia within the broader Asian region (for example through a broadening of Asian participation in ASEM). The enhancement of mutual awareness between our two regions will continue to be a priority.

In our relations with South Asia generally, we should strengthen our dialogue and cooperation on security issues, on economic and commercial issues, and on poverty reduction; priority will also be given to issues of human rights and conflict prevention.

For India in particular, the strengthening of our bilateral cooperation on political, economic and social cooperation should go hand-in-hand with enhanced partnership on global issues.

Support for poverty reduction efforts will be at the core of EU cooperation efforts. To maximise the impact of our limited resources, our work in areas such as health and education will increasingly focus on sectoral support and policy modernisation. We will work increasingly with regional and local authorities as well as national-level administrations. The role of NGOs will be crucial, and contacts between civil society groups in Europe and in the region should be encouraged. Trade development and economic reform will be given a special emphasis, since broader-based growth and an enhanced trade and investment climate will be essential for poverty reduction across the region. Coordination of EC and Member-States' cooperation efforts has already shown its efficacy in responding to the Gujarat earthquake, and this should serve as a best-practice model for the further strengthening of complementarity and concerted action among all EU donors.

South-East Asia

ASEAN, and the ASEAN Regional Forum, will continue to be the major focus of our political and security dialogue with South-East Asia, and it will be important for the EU to play a pro-active role in the ARF. More generally, our dialogue with ASEAN and its member countries should help identify areas where ASEAN and the EU can work together on global security questions, and on global challenges such as drugs and transnational crime. We should continue to give full support to conflict prevention efforts within the region (for example in the Indonesian and Philippine archipelagos and in Burma/Myanmar), and to civil society efforts to promote transparency, good governance and the rule of law. And in our political dialogue with ASEAN and its member countries we should give attention to human rights issues.

In our economic relations with ASEAN and its member countries, we should work together to strengthen the WTO, to encourage trade and investment facilitation, and to help pursue financial and economic reform. Support for enhanced contact between economic operators in the two regions will be important, particularly in new-technology sectors. Efforts to enhance educational, intellectual and cultural links will likewise be strengthened.

For the low-income countries in the region, we should support those governments that are committed to reducing poverty, while in the more advanced economies a particular effort should be made to encourage social policy reform efforts, and to address urban and environmental issues. Support for improving the climate for trade and investment will make a crucial contribution to development and economic growth in all countries. Civil society efforts to address poverty, governance and social policy issues will continue to deserve our support, and dialogue among civil society groups in our two regions will be encouraged.

The further strengthening of our long-standing partnership with ASEAN will be a key priority in the coming years. This should be reflected both in a strengthened and comprehensive dialogue with ASEAN as a whole, and in the enhancement of our bilateral relations with key ASEAN partners. We should also provide active support for reinforced regional integration, on the basis of mutual solidarity within ASEAN.

Indonesia, as the largest country in the region (and the fourth most populous country in the world) will continue to exert a dominant influence across the region, and any further deterioration in the situation there could have the gravest effect on its neighbours. The EC will continue to apply the strategy spelt out in last year's Communication on Indonesia,²⁵ while reflecting further on how best to strengthen our political, economic and cooperation relations with that country.

The EU-ASEAN relationship has since the 1970s been a constant factor in our partnerships with Asia. Recent developments in the region make it even more important to strengthen further our cooperation in all areas – political, economic & social. Particular attention will be given to enhancing mutual understanding and to developing global partnerships, as well as to the need to further strengthen our relations with key ASEAN partners.

North-East Asia

Strengthening our relations with **China** will be a major opportunity, and challenge, for the EU for years to come. China has firmly established itself as a regional power, and the Chinese economy, boosted by large inflows of foreign investment and technology, is rapidly moving up the technological ladder. China is already becoming a major competitor to developed economies in the region and beyond, and WTO accession will certainly bring a further increase in economic efficiency and competitiveness. This increasing economic power is likely to translate into growing Chinese assertiveness on the regional and international scene.

It is a clear EU interest to ensure that China plays a constructive and cooperative role both in the region and in the world. In building on our long-term aims for the bilateral relationship defined in 1998 and amplified in 2001,²⁶ we will therefore seek to engage China further on both bilateral and global issues. In particular, we will work to :

- ensure that China continues to develop in a sustainable way which will help it to play a constructive and cooperative role;
- engage China further in the international community, through a continued strengthening and focusing of our political dialogue;
- support China's transition to an open society through a more focused and results-oriented human rights dialogue, working with China to support relevant reforms;

²⁵ “Developing Closer Relations between Indonesia and the EU” (COM(00) 50, 2.02.00).

²⁶ The long-term aims spelt out in the Commission's 1998 Communication (“Building a comprehensive partnership with China” – COM(98) 181, 25.03.98) remain broadly valid today, and have been given a more medium-term focus in our 2001 Communication – “Report on EU strategy towards China: implementation of the 1998 Communication and future steps for a more effective EU policy” (COM(2001) 265).

- support China's integration in the world economy, by promoting its rapid accession to the WTO, using our assistance programmes and upgrading our dialogue in key policy areas to help make WTO accession and the social and economic reform process a success;
- and enhance the effectiveness of our assistance to China, focusing our programmes on three main areas : support to the reform process, promotion of sustainable development, scientific and technological cooperation²⁷, encouragement of good governance initiatives and promotion of the rule of law.

As regards the **Hong Kong** and **Macao** Special Administrative Regions (SARs), the EU will seek to ensure that the autonomy of the two SARs is upheld, within the “one country, two systems” principle enshrined in the Basic Laws of each SAR. This is a central plank of EU policy towards the territories and a major component of our relationship with China as a whole. The Commission policy documents of 1997 and 1999 regarding our relations with each Region²⁸ put our relations with the two SARs on a more permanent footing and committed the EU to observing developments and to producing annual reports on each.

Taiwan, which the EU recognises as a separate customs territory, but not as a sovereign state, is the EU's third-largest bilateral trading partner in Asia. Its pending accession to WTO should contribute to a further increase in trade and investment flows and related dialogues. The EU is convinced that the cross-straits issue can only be resolved peacefully, and on the basis of a constructive dialogue.

With respect to **Japan**, bilateral relations have developed considerably since the signing of the Joint Declaration in 1991, and a regular and wide-ranging dialogue has been established. This largely reflects a growing mutual awareness of shared interests, for instance in the continued health of the multilateral system, common challenges such as environmental degradation and the ageing society, and shared values such as the rule of law and human rights. The long economic stagnation in Japan has, however, caused concern from the point of view of possible adverse effects on the global economy and on growth prospects for developing countries in Asia, as well as depressing demand for EU exports and aggravating further the large bilateral imbalance. Moreover, cooperation between the EU and Japan in the field of foreign policy is growing, but could be considerably strengthened as recognised at the EU/Japan Summit in July 2000.

Against this background, priority actions include :

- the adoption of a joint action plan at the EU-Japan Summit in 2001, which will identify a set of cooperation initiatives giving political visibility and tangible content to the relationship over the coming decade. This will help us move from dialogue to closer policy coordination and concrete joint activities in the political and security, economic, justice and social fields;
- a streamlined Regulatory Reform Dialogue with the aim of reviving the Japanese economy through opening markets further and stimulating inflows of direct investment from the EU;

²⁷ Agreement for scientific and technological cooperation between the European Community and the Government of the People's Republic of China (JO L6/40, 11.1.2000).

²⁸ “The EU and Hong Kong : beyond 1997” (COM(97) 171, 23.04.97); “The EU and Macau : beyond 2000” (COM(1999) 484, 12.11.1999).

- deepening EU/Japan cooperation at the multilateral level, both in the WTO with the immediate objective of launching a New Round at Doha, and in the field of environment, aiming at ratification and implementation of the Kyoto Protocol;
- encouraging Japan to engage further with its immediate neighbours in the fields of non-proliferation, human rights, rule of law, etc.

Major recent developments with respect to the **Korean Peninsula** have included the considerable steps forward in political liberalisation and economic reform in South Korea under President Kim Dae-Jung; the beginning of a thaw in inter-Korean relations with the “sunshine policy” of President Kim and his summit meeting last year with the North Korean President Kim Jong-il; and, in our bilateral relations, the coming into force on 1 April 2001 of the EU South Korea Framework Agreement and its attached political declaration, underlining the increasing strength of our economic and political relations, as well as the recent opening of diplomatic relations with the DPRK. Immediate priorities for action will include :

- encouragement to South Korea to persevere on the path of economic reform;
- continued support for the inter-Korean reconciliation process, developing the EU’s own dialogue with North Korea on the basis of the principles decided by the Council in October and November 2000 (respect for human rights; non proliferation; economic reform). This will include a measured expansion of the Commission’s assistance activities to help in the critical early stages of economic reform, and the encouragement of further opening by North Korea to the outside world;
- effective implementation of the Framework Agreement, including in particular the enhancement of our two-way trade and investment relations, together with appropriate cooperation initiatives in our mutual interest;
- continued cooperation with South Korea in the context of the WTO.

In enhancing our relations with the countries of North-East Asia, we will in particular work to:

- *strengthen our engagement with China, and support its integration into the world economy and transition to an open society;*
- *build an enhanced global and regional partnership with Japan, on political, economic and social issues;*
- *deepen our partnership with South Korea, while supporting the inter-Korean reconciliation process;*
- *and strengthen our economic and commercial relations with the region as a whole, while encouraging necessary reforms.*

Australasia

Our relations with **Australia** and **New Zealand** have developed positively in recent years and are no longer dominated to the same extent as previously by agricultural trade issues. Indeed, these countries are now important overall trade and investment partners of the EU, and are increasingly important as political partners, representing a substantial force for stability in the broader Asia-Pacific region. At the multilateral level too, there is scope for the EU to deepen our cooperation with Australia and New Zealand.

Priorities for action include :

- further expanding two-way trade and investment, but, also seeking out worthwhile cooperation initiatives for instance in the fields of education, science and technology, research, development, migration policies, in order to deepen the relationship further.
- building stronger alliances at the multilateral level, most particularly in the WTO, with a view to launching a New Round at Doha, and in the field of environment with a view to ratifying and implementing the Kyoto Protocol.
- intensifying political and development assistance cooperation in the region.

In enhancing relations with Australia and New Zealand, we will in particular work to

- *expand our economic and commercial relations, while deepening our broader cooperation;*
- *and strengthen our cooperation on global and regional issues.*

Regional fora

In contrast to our relations with Latin America or with the Mediterranean or ACP countries, there is no one inter-regional forum in which Europe and Asia interact. The EU has a longstanding relationship with South-East Asia, through our partnership with ASEAN dating back to the late 1970s. In South Asia, we have worked to intensify our relations with SAARC since the 1990s. And with East Asia, the ASEM process has evolved rapidly since its beginnings in 1996.

The potential for strengthening EU-ASEAN and EU-SAARC relations has already been addressed elsewhere in this paper. The ARF (which has a particular interest as one of the rare regional fora with South Asian participation) will continue to increase in importance as its activities intensify, and the EU will certainly take a pro-active role in this essential forum.

The Commission has emphasised the importance which it attaches to the ASEM process²⁹, and the scope which it offers for enhancing Asia-Europe dialogue and cooperation on a basis of equal partnership and mutual respect. The ASEM process has offered an excellent example of inter-regional cooperation, and we will continue to work to ensure that it can make progress in each of its “three pillars” (political, economic and social). In particular, we should draw fully on ASEM’s potential as a forum for an informal exchange of views promoting increased understanding and enhanced cooperation, and to use this to build concrete achievements in the various priority areas identified in the Asia-Europe Cooperation Framework adopted at the Seoul Summit. ASEM also offers an important opportunity to strengthen and broaden public engagement in Asia-Europe relations³⁰, and we should encourage parliamentary and civil society participation in this process.

The value of the ASEM process will be further enhanced through a broader participation. The Commission would welcome an enlargement of Asian participation in ASEM to include key representatives of the Sub-Continent, as well as Australia and New Zealand (just as the EU’s participation in ASEM should in due course be enlarged in line with the enlargement of the Union itself). More generally, we shall continue to follow with interest the development of

²⁹ Most recently in the Commission Working Document “Perspectives and Priorities for the ASEM Process into the New Decade” (COM(00) 241, 18.4.00).

³⁰ Useful work in these areas has already been taken forward, for example through ASEF (the Asia-Europe Foundation) and through independent NGO activities, and through AEBF (the Asia-Europe Business Forum).

other regional fora in the broader Asia-Pacific region, such as APEC and ASEAN + 3, as well as of new sub-regional groupings such as the West Pacific Forum.

In further enhancing our regional dialogue with our Asian partners, notably within the ASEM framework, we will use this informal forum as a leading example of a successful EU-Asia partnership, addressing political, economic and social issues in a balanced and comprehensive fashion, based on mutual interest and equal partnership, and helping Europe and Asia to enhance their voice on the global stage. Enlarged participation in ASEM will further enhance its value, and its ability to promote regional stability, support multilateralism, raise mutual awareness, and strengthen the position and profile of the EU in Asia.

5. IMPLEMENTATION AND RESOURCES

In order to take account of the specificities of individual countries, it will of course be necessary to build on and amplify this framework through our sub-regional strategies,³¹ and in Country Strategy Papers (which focus on development cooperation). It will also be essential to ensure that this framework is appropriately reflected in all aspects of the Commission's work, ensuring a coherent policy mix across all fields of activity. And a close and effective coordination among all EU partners will be a sine qua non for strengthening our relations with Asia, and for enhancing the profile of the EU in Asia.

The present document will in addition serve as an important input for the preparation of a revised legal basis for our cooperation with Asia. The present ALA Regulation³² was adopted in 1992 (prior to the adoption of the Commission's first Asia Strategy). The Commission intends to review this Regulation in detail in the coming months, with a view to proposing an update during the first semester of 2002. It is probable that this new Regulation will be split into separate Regulations for Asia and for Latin America, to help provide for a more specific response to the particular context and needs of each region. An overall evaluation of ALA cooperation programmes is now being commenced, and this (together with the results of earlier evaluations) will be taken into account in appraising the directions to be followed in the new Regulations³³.

While the present Strategic Framework should serve as an effective guideline for our relations with Asia over the coming decade, it will be important to take stock of progress on a regular basis, and to respond flexibly to changing circumstances. A substantive review of the strategy in five or six years' time would be appropriate. Such a review should for example assess our achievements on the basis of certain simple (if largely qualitative) indicators, touching for example on such elements as the evolution of the EU's trade and investment relations with Asia, the impact of our policy dialogue and of our development programmes. The timing of this review, and the indicators against which progress should be measured, will be considered further during the preparation of the new Regulation.

In order for this Strategic Framework to be fully effective, it is essential that there is a proper consistency between the objectives being set, and the resources available to meet them (both

³¹ As was done following the 1994 Strategy, it may be useful from time to time to prepare individual Communications on our relations with key partners in Asia, or on key themes in Asia-Europe relations.

³² Council Regulation (EEC) No 443/92 of 25 February 1992, on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America.

³³ Issues such as untying of aid, multiannual strategic programming, comitology shall be considered.

in terms of staff and operational resources in headquarters and in the field, and in terms of the budgetary resources available for our cooperation programmes).

Our first and over-riding priority is to ensure that the available resources are used in an effective and timely fashion – a task to which the Commission has committed itself fully, and where the first fruits of the reform of the management of our external assistance are now being seen. It will be essential that the existing backlog of commitments and payments credits is absorbed, and that the new funds available each year are programmed effectively and committed promptly, if the European taxpayer and the intended beneficiaries are to be properly served. The EC, in partnership with the beneficiary countries, must focus its limited resources on a smaller number of simpler activities, targeted on the key priorities spelt out above, and ensure that these activities are implemented rapidly and effectively.

Once this has been achieved, we will be better able to address the longer-term question of whether and to what extent the level of resources available for our cooperation activities with Asia should be increased. The EC already devotes 80% of its cooperation funding for Asia to the poorest countries in the region.³⁴ But it is clear that these resources fall far short of giving an adequate response to the scale of the problems facing these countries. As was noted above, Asia accounts for half of the world's population, and for two-thirds of the world's poor. Yet the EC has allocated a very modest proportion of its total cooperation funding to Asia, and on a per capita basis the volume of EC aid funding going to Asia has been very much less than that for other regions of the developing world³⁵.

Such allocations of course reflect political choices (for example the priority which the EU gives to its near neighbours), as well as the historical evolution of the EU's aid programmes. In addition, the level of aid funding per se is far less important than the developmental impact of our trade and investment flows with the region. But once the reform process has been completed, and we are confident that the limited resources available are being used to their maximum effect, the EU should consider further the level of development cooperation funding which we allocate to Asia, taking account of the EU's financial perspectives and its global responsibilities, and of the overall context of the EU's external interventions.

6. CONCLUSIONS

Asian countries are a crucial economic and political partners for the EU. Quite apart from its economic and political weight, the region is also the locus of some of the world's most critical potential flash-points, and is home to the majority of the world's poor. Asia and Europe are increasingly subject to the same challenges and opportunities arising from globalisation. Yet too often these two regions may have seemed to be distant partners,

³⁴ In 1996-2000, on average, 80% of EC development cooperation funding for Asia went to the poorest developing countries, including 32% for the least-developed countries in the region (Bangladesh, Bhutan, Cambodia, Laos, Nepal), and 48% for other low-income countries (India, Indonesia, Pakistan, Vietnam).

³⁵ In 1998, out of a total of some €6.3 billion in EC cooperation funding disbursements, 7% was allocated to developing Asia (compared with 6% for Latin America, 9% for the CIS countries, 15% for the Mediterranean, and 32% for ACP countries). On a per capita basis EC disbursements for developing Asia represented some €0.15 per head (compared with €0.74 for Latin America, €1.94 for CIS countries, €3.31 for the Mediterranean countries, and €4.87 for the ACP countries). Figures from Cox & Chapman, "EC external cooperation programmes", Overseas Development Institute, London, 1999.

focused more on their own concerns, or on their relations with other regions of the world, than on strengthening their mutual relations.

The Commission's 1994 Asia Strategy was a first effort to take an integrated, comprehensive and balanced view of the relations between the EU and its Asian partners. That strategy has helped considerably in re-focusing our relations with the region, but should now be updated to take account of the substantial changes in both regions since then, and of the further changes which are already on the horizon.

While acknowledging the sheer diversity of Asia, and the scale of the economic, political and cultural differences between and within the different constituent parts of the region as a whole, we can nevertheless identify one core objective which should guide us in further developing our relations with Asia. Over the coming decade, we should focus our efforts on strengthening the EU's political and economic presence in Asia, raising this to a level more commensurate with the growing global weight of an enlarged EU.

To achieve this central objective, we must :

- strengthen our engagement with Asia in the political and security fields;
- further strengthen our mutual trade and investment flows with the region;
- demonstrate our effectiveness as a partner in reducing poverty in Asia;
- contribute to the protection of human rights and to the spreading of democracy, good governance and the rule of law throughout the region;
- build global partnerships with key Asian partners, working together to address the global opportunities and challenges which face us all and to strengthen our joint efforts on global environmental and security issues;
- and strengthen further the mutual awareness between our two regions.

A number of concrete action points have been identified in this paper, in the political, economic and social dimensions, and with respect to our bilateral, regional and multilateral relations with Asia. More specific priorities have also been addressed as regards our relations with the different component regions of Asia, with regional powers such as India, Japan and China and other key partners such as ASEAN, Australia and Korea, and in inter-regional fora such as ASEM.

The implementation of this strategic framework, and its effectiveness in enhancing the relations between the EU and its Asian partners, will be kept under close review in the coming years. We must also ensure that the limited resources available for EC development and economic cooperation activities with Asia are used to their fullest effect, in order to highlight the potential for increasing these resources.

More than ever before, it will be imperative for the EU and its Asian partners to work together in addressing the global challenges which we both face, and the global opportunities which we should all be able to share. The Commission for its part will make every effort to enhance our regional and global partnerships with Asia, and we would invite our Asian partners to reflect on their side on how we might address these issues together.

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ANNEX

List of Acronyms

ACP	African, Caribbean and Pacific countries
AFTA	ASEAN Free Trade Area
ALA	Asian and Latin American countries
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of South-East Asian Nations
ASEAN + 3	ASEAN plus China, Japan and Korea
ASEM	Asia-Europe Meeting
CFSP	Common Foreign and Security Policy
CIS	Commonwealth of Independent States
CTBT	Comprehensive Test-Ban Treaty
DAC	Development Assistance Committee (OECD)
EC	European Community,
ESDP	European Security and Defence Policy
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GSP	Generalised System of Preferences
KEDO	Korean Energy Development Organisation
LLDC	Least-Developed Countries
NAFTA	North American Free Trade Area
NGOs	non-governmental organisations
ODA	Official Development Assistance
SAARC	South Asian Association for Regional Cooperation
SARs	Special Administrative Regions (Hong Kong and Macau)
SMEs	small and medium enterprises
WTO	World Trade Organization

Asia, Population and GNP, 1999

	Population	GNP	GNP	GNP (PPP)	GNP (PPP)
	m.	\$ bn.	per capita \$	\$ bn.	per capita \$
South Asia	1.330	575	432	2.658	1.998
Afghanistan	26,0	...	...	...	...
Bangladesh	128,0	47,0	370	188,3	1.475
Bhutan	0,8	0,4	510	1,2	1.496
India	998,0	442,2	450	2.144,1	2.149
Maldives	0,3	0,3	1.160	1,0	3.545
Nepal	23,0	5,1	220	28,5	1.219
Pakistan	135,0	64,0	470	236,8	1.757
Sri Lanka	19,0	15,7	820	58,0	3.056
South-East Asia	512	524	1.022	1.571	3.067
Brunei	0,3	...	...	...	...
Burma	45,0	...	...	...	...
Cambodia	12,0	3,0	260	15,1	1.286
Indonesia	207,0	119,5	580	505,0	2.439
Laos	5,0	1,4	280	8,8	1.726
Malaysia	23,0	77,3	3.400	180,8	7.963
Philippines	77,0	78,0	1.020	292,9	3.815
Singapore	3,0	95,4	29.610	87,1	27.024
Thailand	62,0	121,0	1.960	345,4	5.599
Vietnam	78,0	28,2	370	136,1	1.755
North-East Asia	1.480	5.908	3.993	7.989	5.400
China	1.250,0	980,2	780	4.112,2	3.291
Hongkong	7,0	161,7	23.520	144,0	20.939
Macao	0,5	...	...	...	...
Chinese Taipei	22,0	288,6	13.120	...	...
Japan	127,0	4.078,9	32.230	3.042,9	24.041
N Korea	23,0	...	...	...	...
S Korea	47,0	397,9	8.490	685,7	14.637
Mongolia	3,0	0,9	350	3,9	1.496
Australasia	23	434	18.848	490	21.291
Australia	19,0	380,8	20.050	426,4	22.448
New Zealand	4,0	52,7	13.780	63,3	16.566
Asia	3.345	7.440,2	2.224,3	12.707,5	3.799,1
World	5.975,0	29.232,1	4.890	38.804,9	6.490
Asia %	56,0%	25,5%		32,7%	

Source : World Bank,
World Development
Report 2000/2001

EU and Candidates, Population and Income, 1999

	Population	GNP	GNP	GNP (PPP)	GNP (PPP)
	m.	\$ bn.	per capita \$	\$ bn.	per capita \$
EU-15	375	8.213	21.877	7.842	20.890
Austria	8,0	210,0	25.970	192,5	23.808
Belgium	10,0	250,6	24.510	247,4	24.200
Denmark	5,0	170,3	32.030	129,1	24.280
Finland	5,0	122,9	23.780	109,6	21.209
France	59,0	1.427,2	23.480	1.293,8	21.897
Germany	82,0	2.079,2	25.350	1.837,8	22.404
Greece	11,0	124,0	11.770	153,8	14.595
Ireland	4,0	71,4	19.160	71,5	19.180
Italy	58,0	1.136,0	19.710	1.196,3	20.751
Luxembourg	0,4	19,3	44.640	16,5	38.247
Netherlands	16,0	384,3	24.320	364,3	23.052
Portugal	10,0	105,9	10.600	151,3	15.147
Spain	39,0	551,6	14.000	659,3	16.730
Sweden	9,0	221,8	25.040	184,4	20.824
United Kingdom	59,0	1.338,1	22.640	1.234,4	20.883
EU Candidates	168	556	3.306	1.249	7.427
Bulgaria	8,0	11,3	1.380	40,4	4.914
Cyprus	0,8	9,1	11.960	14,0	18.395
Czech Republic	10,0	52,0	5.060	126,3	12.289
Estonia	1,0	5,0	3.480	11,3	7.826
Hungary	10,0	46,8	4.650	105,5	10.479
Latvia	2,0	6,0	2.470	14,4	5.938
Lithuania	4,0	9,7	2.620	22,5	6.093
Malta	0,4	3,5	9.210	5,7	15.066
Poland	39,0	153,1	3.960	305,5	7.894
Romania	22,0	34,2	1.520	126,8	5.647
Slovak Republic	5,0	19,4	3.590	52,9	9.811
Slovenia	2,0	19,6	9.890	29,8	15.062
Turkey	64,0	186,3	2.900	394,1	6.126
EU + Candidates	544	8.769	16.131	9.091	16.724
World	5.975,0	29.232,1	4.890	38.804,9	6.490
EU-15 %	6,3%	28,1%		20,2%	
EU + Candidates %	9,1%	30,0%		23,4%	

Source : World Bank,
World Development
Report, 2000/2001

EU Trade with Asia and other regions, 1995-2000
 (million euro)

	EU Exports			EU Imports			Balance		Share EU X 00	Share EU X 95
	2000	1995	% pa 95-00	2000	1995	% pa 95-00	2000	1995		
NORTHEAST ASIA	121.859	86.177	7,2%	218.260	111.093	14,5%	-96.402	-24.916	13,0%	15,0%
NE Asia (excl. Japan)	77.162	53.281	7,7%	133.255	56.794	18,6%	-56.093	-3.513	8,2%	9,3%
Japan	44.697	32.896	6,3%	85.005	54.299	9,4%	-40.308	-21.403	4,8%	5,7%
South Korea	16.356	12.331	5,8%	24.346	10.925	17,4%	-7.990	1.407	1,7%	2,2%
China	25.288	14.690	11,5%	69.673	26.343	21,5%	-44.385	-11.653	2,7%	2,6%
Hong Kong	20.243	15.796	5,1%	11.708	7.156	10,3%	8.536	8.640	2,2%	2,8%
Macao	178	137	5,4%	858	532	10,0%	-680	-395	...	...
Taiwan	14.851	10.112	8,0%	26.499	11.756	17,7%	-11.648	-1.643	1,6%	1,8%
Mongolia	65	49	5,5%	50	31	9,9%	14	18	...	...
North Korea	181	165	1,9%	121	50	19,2%	60	115	...	...
ASEAN	40.055	37.091	1,5%	69.310	34.670	14,9%	-29.255	2.421	4,3%	6,5%
Brunei	272	625	-15,3%	129	263	-13,3%	143	362	0,0%	0,1%
Indonesia	4.397	5.854	-5,6%	10.833	6.109	12,1%	-6.436	-254	0,5%	1,0%
Malaysia	8.380	7.939	1,1%	16.887	9.156	13,0%	-8.507	-1.217	0,9%	1,4%
Philippines	4.358	2.291	13,7%	8.015	2.420	27,1%	-3.658	-129	0,5%	0,4%
Singapore	14.720	10.904	6,2%	15.853	8.760	12,6%	-1.133	2.144	1,6%	1,9%
Thailand	6.431	8.492	-5,4%	12.742	6.625	14,0%	-6.311	1.867	0,7%	1,5%
Vietnam	1.227	750	10,3%	3.961	1.151	28,0%	-2.734	-401	0,1%	0,1%
Cambodia	115	75	9,0%	355	46	50,3%	-240	29	...	...
Laos	44	43	0,8%	130	72	12,5%	-86	-30	...	...
Burma	112	119	-1,3%	404	68	43,0%	-293	51	...	...
SOUTH ASIA	17.660	12.828	6,6%	20.240	12.159	10,7%	-2.579	669	1,9%	2,2%
India	13.304	9.440	7,1%	12.342	7.796	9,6%	962	1.644	1,4%	1,6%
Pakistan	1.905	2.045	-1,4%	2.602	1.979	5,6%	-697	67	0,2%	0,4%
Sri Lanka	1.575	720	16,9%	1.891	930	15,2%	-317	-210	0,2%	0,1%
Nepal	85	51	10,7%	178	143	4,5%	-93	-92	0,0%	0,0%
Bangladesh	695	495	7,0%	3.046	1.260	19,3%	-2.351	-765	0,1%	0,1%
Maldives	39	28	7,2%	121	20	43,5%	-82	8	...	...
Bhutan	11	6	13,7%	2	1	8,6%	9	5	...	...
Afghanistan	46	43	1,4%	57	29	14,4%	-11	13	...	...
AUSTRALASIA	17.857	12.287	7,8%	11.130	6.672	10,8%	6.727	5.615	1,9%	2,1%
Australia	15.694	10.500	8,4%	8.730	4.975	11,9%	6.965	5.526	1,7%	1,8%
New Zealand	2.140	1.786	3,7%	2.386	1.697	7,1%	-247	89	0,2%	0,3%
TOTAL ASIA	197.431	148.384	5,9%	318.940	164.593	14,1%	-121.509	-16.210	21,1%	25,9%
Developed Asia	99.331	73.447	6,2%	133.047	79.584	10,8%	-33.716	-6.137	10,6%	12,8%
Developing Asia	98.100	74.937	5,5%	185.893	85.010	16,9%	-87.793	-10.073	10,5%	13,1%
Europe excl. EU	289.258	168.700	11,4%	282.587	153.486	13,0%	6.671	15.214	30,9%	29,4%
Cand. Countries (13)	150.415	70.658	16,3%	117.012	55.468	16,1%	33.403	15.190	16,1%	12,3%
EEA + Switzerland	98.107	69.776	7,1%	106.188	69.929	8,7%	-8.081	-153	10,5%	12,2%
CIS	27.568	20.820	5,8%	54.227	24.931	16,8%	-26.660	-4.111	2,9%	3,6%
SE Europe	9.619	5.486	11,9%	4.539	2.763	10,4%	5.079	2.723	1,0%	1,0%
Other W. Europe	3.550	1.960	12,6%	620	396	9,4%	2.930	1.564	0,4%	0,3%
NAFTA	265.389	118.168	17,6%	222.284	118.589	13,4%	43.105	-420	28,4%	20,6%
US	230.947	103.315	17,5%	196.946	103.674	13,7%	34.000	-358	24,7%	18,0%
Canada	20.596	10.342	14,8%	18.364	11.707	9,4%	2.232	-1.365	2,2%	1,8%
Mexico	13.846	4.511	25,1%	6.973	3.208	16,8%	6.873	1.303	1,5%	0,8%

EU Trade with Asia and other regions,

1995-2000

(million euro)

	EU Exports			EU Imports			Balance		Share	Share
	2000	1995	% pa 95-00	2000	1995	% pa 95-00	2000	1995	EU X 00	EU X 95
Other Regions	160.186	108.320	8,1%	157.466	87.392	12,5%	2.720	20.928	17,1%	18,9%
Mediterranean	50.788	33.191	8,9%	44.901	21.043	16,4%	5.887	12.148	5,4%	5,8%
South & Central America	40.357	27.884	7,7%	41.326	27.222	8,7%	-969	662	4,3%	4,9%
Gulf	31.055	20.983	8,2%	28.336	11.482	19,8%	2.719	9.501	3,3%	3,7%
ACP	37.987	26.262	7,7%	42.904	27.645	9,2%	-4.917	-1.383	4,1%	4,6%
World (excl. intra-EU)	935.733	573.277	10,3%	1.022.671	545.253	13,4%	-86.937	28.024	100,0%	100,0%

Source: Eurostat

World Trade Shares, 1999

(million euro)

	Imports total	%	Exports total	%	Total Trade total	%
WORLD (intra-EU excluded)	4.164.100		3.972.000		8.136.100	
intra-EU	1.265.800		1.332.800		2.598.600	
WORLD (intra-EU included)	5.429.900	100,00	5.304.800	100,00	10.734.700	100,00
EU (extra-EU)	779.100	14,35	759.800	14,32	1.538.900	14,34
EU (extra & intra-EU)	2.044.900	37,66	2.092.600	39,45	4.137.500	38,54
N.East ASIA	731.427	13,47	877.155	16,54	1.608.582	14,98
Japan	291.555	5,37	393.334	7,41	684.888	6,38
South Korea	112.350	2,07	134.781	2,54	247.131	2,30
China	155.490	2,86	182.900	3,45	338.390	3,15
Hong Kong	168.562	3,10	163.066	3,07	331.628	3,09
ASEAN	289.654	5,33	346.953	6,54	636.607	5,93
Indonesia	27.163	0,50	53.663	1,01	80.826	0,75
Malaysia	61.449	1,13	79.332	1,50	140.781	1,31
Philippines	29.432	0,54	33.285	0,63	62.717	0,58
Singapore	104.216	1,92	107.649	2,03	211.865	1,97
Thailand	49.923	0,92	57.983	1,09	107.905	1,01
Vietnam	12.397	0,23	9.827	0,19	22.225	0,21
South Asia	68.236	1,26	53.768	1,01	122.003	1,14
India	42.102	0,78	36.787	0,69	78.890	0,73
Pakistan	9.661	0,18	7.918	0,15	17.579	0,16
Sri Lanka	6.218	0,11	4.019	0,08	10.237	0,10
Nepal	1.409	0,03	534	0,01	1.943	0,02
Bangladesh	7.837	0,14	4.241	0,08	12.078	0,11
ANZ	80.968	1,49	64.004	1,21	144.971	1,35
Australia	67.486	1,24	52.548	0,99	120.033	1,12
New Zealand	13.482	0,25	11.456	0,22	24.938	0,23
Total Asia	1.170.284	21,55	1.341.880	25,30	2.512.163	23,40
Developed Asia	653.434	12,03	755.185	14,24	1.408.619	13,12
Developing Asia	516.850	9,52	586.695	11,06	1.103.545	10,28
NAFTA	1.351.291	24,89	998.721	18,83	2.350.012	21,89
USA	983.721	18,12	648.060	12,22	1.631.780	15,20
Canada	221.037	4,07	222.689	4,20	443.726	4,13
Mexico	146.533	2,70	127.973	2,41	274.506	2,56
Other Regions	429.833	7,92	409.663	7,72	839.496	7,82
Mediterranean (excl Candidates)	86.599	1,59	58.800	1,11	145.398	1,35
Latin America (excl. Mexico)	167.212	3,08	151.258	2,85	318.470	2,97
Gulf	78.125	1,44	109.855	2,07	187.980	1,75
ACP (incl. S. Africa)	97.897	1,80	89.751	1,69	187.648	1,75
Europe (excl. EU)	371.302	6,84	358.604	6,76	729.905	6,80
Candidates (13)	188.789	3,48	138.127	2,60	326.915	3,05
EEA & other	110.180	2,03	119.287	2,25	229.467	2,14
CIS	58.058	1,07	94.603	1,78	152.661	1,42
SE Europe	14.275	0,26	6.587	0,12	20.862	0,19

Source: IMF and Eurostat

EU Foreign Direct Investment (extra-EU), 1995-1999

		€m.	share %	€m.	share %	€m.	share %	€m.	share %	€m.	share %	average 95-99	share %
Global Total		60.805	100,0%	69.086	100,0%	109.147	100,0%	221.641	100,0%	277.729	100,0%	147.682	100,0%
NE Asia		4.042	6,6%	6.633	9,6%	3.200	2,9%	7.050	3,2%	16.698	6,0%	7.525	5,1%
Hong Kong		1.325	2,2%	1.247	1,8%	-51	-0,0%	2.519	1,1%	4.481	1,6%	1.904	1,3%
China		715	1,2%	1.650	2,4%	1.893	1,7%	603	0,3%	1.109	0,4%	1.194	0,8%
Japan		1.243	2,0%	2.474	3,6%	1.275	1,2%	719	0,3%	8.921	3,2%	2.926	2,0%
Korea		366	0,6%	347	0,5%	217	0,2%	2.686	1,2%	1.627	0,6%	1.049	0,7%
Taiwan		393	0,6%	915	1,3%	-134	-0,1%	523	0,2%	560	0,2%	451	0,3%
ASEAN 10		1.747	2,9%	4.003	5,8%	4.163	3,8%	-5.609	-2,5%	-1.749	-0,6%	511	0,3%
Singapore		467	0,8%	1.534	2,2%	2.002	1,8%	-8.870	-4,0%	-5.787	-2,1%	-2.131	-1,4%
Malaysia		-56	-0,1%	658	1,0%	404	0,4%	1.061	0,5%	768	0,3%	567	0,4%
Thailand		607	1,0%	800	1,2%	729	0,7%	796	0,4%	2.006	0,7%	988	0,7%
Indonesia		614	1,0%	673	1,0%	516	0,5%	254	0,1%	212	0,1%	454	0,3%
Philippines		95	0,2%	327	0,5%	364	0,3%	784	0,4%	700	0,3%	454	0,3%
India		339	0,6%	342	0,5%	621	0,6%	867	0,4%	1.146	0,4%	663	0,4%
ANZ		3.759	6,2%	3.633	5,3%	2.695	2,5%	1.140	0,5%	2.722	1,0%	2.790	1,9%
Total Asia		9.887	16,3%	14.611	21,1%	10.679	9,8%	3.448	1,6%	18.817	6,8%	11.488	7,8%
Jap, Kor, Twn, ANZ		5.761	9,5%	7.369	10,7%	4.053	3,7%	5.068	2,3%	13.830	5,0%	7.216	4,9%
as % Total Asia			58,3%		50,4%		38,0%		147,0%		73,5%		62,8%
China, HKG, ASEAN, India		4.126	6,8%	7.242	10,5%	6.626	6,1%	-1.620	-0,7%	4.987	1,8%	4.272	2,9%
as % Total Asia			41,7%		49,6%		62,0%		-47,0%		26,5%		37,2%
NAFTA		33.668	55,4%	27.383	39,6%	52.626	48,2%	139.858	63,1%	187.578	67,5%	88.223	59,7%
United States		31.616	52,0%	25.822	37,4%	48.158	44,1%	133.433	60,2%	182.060	65,6%	84.218	57,0%
Canada		1.307	2,1%	766	1,1%	1.379	1,3%	5.077	2,3%	3.759	1,4%	2.458	1,7%
Mexico		745	1,2%	795	1,2%	3.089	2,8%	1.348	0,6%	1.759	0,6%	1.547	1,0%
Europe extra EU		9.628	15,8%	12.928	18,7%	20.822	19,1%	36.590	16,5%	20.782	7,5%	20.150	13,6%
EFTA		3.469	5,7%	6.111	8,8%	10.879	10,0%	23.600	10,6%	5.837	2,1%	9.979	6,8%
Candidates		5.913	9,7%	6.130	8,9%	7.885	7,2%	12.028	5,4%	14.117	5,1%	9.215	6,2%
CIS		246	0,4%	687	1,0%	2.058	1,9%	962	0,4%	828	0,3%	956	0,6%

C & S America (excl Mexico)	4.210	6,9%	10.082	14,6%	17.853	16,4%	27.659	12,5%	42.037	15,1%	20.368	13,8%
ACP	1.143	1,9%	1.923	2,8%	2.472	2,3%	3.141	1,4%	5.041	1,8%	2.744	1,9%
Gulf, Iran, other MidEast	486	0,8%	427	0,6%	966	0,9%	2.816	1,3%	2.629	0,9%	1.465	1,0%
Mediterranean (MMI)	404	0,7%	480	0,7%	991	0,9%	1.531	0,7%	-321	-0,1%	617	0,4%

Source : Eurostat

**EC Financial and Technical Cooperation with Asia,
1976-2000(million euro, commitments)**

	Developmen t Coopn. 5-yr Total	Annual Av.	Economic Coopn. 5-yr Total	Annual Av.	Total	5-yr Total	Annual Av.
1976-80	264,4	52,9			264,4	52,9	
1981-85	703,4	140,7			703,4	140,7	
1986-90	1.079,7	215,9			1.079,7	215,9	
1991-95	1.627,9	325,6	189,0	37,8	1.816,9	363,4	
1996-00	1.761,8	352,4	430,3	86,1	2.192,1	438,4	
Total 76-00	5.437,3		619,3		6.056,5		

Source : EC

Total ODA flows to Asia*, 1989 and 1999 Global ODA flows, 1999

(million \$, disbursements) (million \$, disbursements)

	1988-89 av.		1998-99 av.				1999	
EU	4.741	39,4%	4.812,6	30,4%		EU	26.756	47,5%
Japan	4.549	37,8%	8.053,2	50,9%		Japan	15.323	27,2%
US	1.170	9,7%	1.452,6	9,2%		US	9.145	16,2%
Other DAC **	1.576	13,1%	1.489,0	9,4%		Other DAC**	5.154	9,1%
Total	12.036	100,0%	15.807,4	100,0%		Total	56.378	100,0%

Source : DAC

Source : DAC

* Asia including
South, South-
East, North-East
and Central Asia

** Other DAC
members :
Australia,
Canada, New
Zealand,
Norway,
Switzerland