

The EU's Relations with China, Japan and North Korea. Implications for the EU's Role and Engagement in Asian Security

Axel Berkofsky

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Abstract

This paper will seek to do two things: Firstly providing the reader with an overview and an analysis of the EU's political, economic and security relations with Japan, China and North Korea.

What does the EU "do" or does not do in terms of politics, economics and security with Tokyo, Beijing and Pyongyang? Are the EU and Japan doing what they have planned and envisioned to do with regards to Asian (and global) security or will their bilateral relations continue to be above all a trade and investment relationship?

Does China perceive Brussels as "real" security actor in Asia and what impact do EU-China trade and investment relations (and the problems associated with them) have on Beijing's willingness to discuss and work on Asian security with Brussels?

What does North Korea want from Brussels: Aid, money and technical assistance only or also a role and engagement in Northeast Asian security and the resolution of the ongoing nuclear crisis on the Korean Peninsula?

Secondly, through the analysis of Brussels economic, political and security ties with these three countries it will be sought to draw conclusions on the EU's overall role and engagement in Asian security.

What does and does not EU security co-operation with Japan, China and (to a lesser extent North Korea) say about the EU's overall role and engagement in Asian security? Does Europe have a clear-cut and coherent strategy towards Asian politics and security or rather a "set" of *ad hoc* policies and strategies reacting to "events" on Asia's political, economic and security agenda?

Axel Berkofsky is ISPI's Senior Associate Research Fellow and Gianni Mazzocchi Fellow, University of Pavia, Italy

Introduction

Despite strong economic and business interests in Asia, there is near consensus amongst scholars and analysts that the EU remains reluctant (and unable) to develop a security profile in Asia in accordance with its business and economic interests and influence in the region.

This, as EU policymakers usually point out, is not least due to the fact that the EU institutions' mandate and authority to implement foreign and security policies on behalf of EU 27 Member States are too limited to "do" more with regards to global security, including in Asia.

If that is true (and EU policymakers insist it is), then the EU Commission and the EU Council do all they "can" or all they are "allowed" to do with regards to (hard) Asian security which translates into a very limited or even a "non-role" in Asian hard security.

The nuclear crisis on the Korean Peninsula and the emerging and recently intensifying ethnic conflicts and terrorism in Southeast Asia¹ are "reminders" of the "realist" character of Asia's security environment and the EU will continue to have a fairly limited role contributing to the resolution of these and other "hard security" conflicts in Asia.

To be sure, the EU's so-called "soft security" policies in Asia are a very different matter even if this sort of engagement does not make it to the front pages of the international press.

The EU is the biggest donor of global humanitarian, food and development (providing more than 50% of the total) and Brussels' so-called "capacity-building" policies (e.g. technical assistance, technology and know-how transfers etc.) in many Asian countries have without a doubt contributed to peace and stability in Asia in recent years and decades.

Despite its shortcomings (above all the EU Commission's insufficient capacities to monitor and supervise the distribution of funds and the implementation of humanitarian and technical assistance projects on the ground²) there is generally agreement amongst Asian policymakers and analysts that a more prominent and visible European engagement in Asian "hard security" issues could never be as constructive and promoting security as Brussels' "soft security" policies in Asia.

This paper will provide an analysis of the EU's political, economic and security relations with Japan, China and North Korea, or: What does the EU "do" or does not do in terms of politics, economics and security with Japan, China and North Korea?

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¹ Recommendable are IISS scholar Tim Huxley's writings on recent and emerging ethnic and other conflicts in Southeast Asia; see <http://www.iiss.org/about-us/staffexpertise/list-experts-by-name/tim-huxley/>.

² In essence, the EU Commission does not always have enough personnel and funds to supervise whether the funds allocated to aid and technical assistance projects actually "reach" the institutions and individuals in charge of implementing the projects on the ground.

While seeking to provide an overview of the EU's political, economic and trade and security relations with Tokyo, Beijing and Pyongyang, it will at the same time be sought to draw conclusions on the EU's overall role and engagement in Asian security, or: What does and does not EU security co-operation with Japan, China and (to a lesser extent North Korea) say about the EU's overall role and engagement in Asian security?

This author is aware that this kind of approach of seeking to qualify and quantify the overall EU security involvement in Asia has its limits: The analysis of the EU's relations with three Asian countries in general and security ties in particular can naturally not provide results and conclusions regarding **all** issues and aspects of European security involvement in Asian security. In other words: The analysis of the EU's security relations with Tokyo, Beijing and Pyongyang is not necessarily representative of everything the EU "is" and "does" in terms of Asian security.

However, what this approach and the analysis below can seek to do is to provide (at least in parts) an analysis of what takes or does not take place in terms of security cooperation between the EU and Tokyo, Beijing and Pyongyang says about the quality of the EU's overall engagement in Asian security.

The conclusions in this context drawn below are somewhat sobering: the EU's relations in general and security ties with Tokyo, Beijing and Pyongyang in particular do not necessarily enable the analyst and observer to detect common and recurring patterns of EU security policies towards Asia.

Instead-and this does necessarily not come as a surprise in view of the EU Commission's fairly limited mandate to formulate and implement foreign and security policies on behalf of all 27 EU Member States-individual European governments will continue to formulate and implement their "own" national foreign, foreign economic and security policies towards Asia competing with or worse contradicting EU Commission Asia policies.

The controversy (or from an EU and European policymaking perspective the "debacle") surrounding the EU and European policies and approaches towards the EU weapons embargo imposed on China in 1989 demonstrated this "impressively". The EU Commission's position on the lifting of non-lifting of the weapons embargo back in 2004 and 2005 lost much of its credibility when EU Member States chose (without consultation with the EU Commission) to advocate and implement their weapons embargo positions and policies individually (and there contradicting official EU positions)³.

The EU's relations with Japan, China and Pyongyang are being dealt with separately covering political, economic and trade as well as security relations.

³ During the height of the weapons embargo controversy in 2004 and 2005 hardly a day went by when EU Commission and EU Member States contradicted each other on whether and when to lift and not to lift the weapons embargo imposed on China after Tiananmen in 1989; while some Member States (above all the Scandinavian countries) urged the EU Commission to leave the weapons embargo in place other EU Member States frequently changed their position on the embargo, especially those under Chinese pressure to lose out on business opportunities in China if opposed to the lifting of the embargo (Germany, France and the UK). Worse from an EU policymaking perspective, the statements regarding the possible lifting of the weapon coming from the EU Council were not always compatible with the official EU Commission positions.

This analysis will be followed (separately for each of three countries) by conclusions and assessments what in this author's view the relations with the three respective countries mean and do not mean (within the above mentioned limitations) for the EU's overall role and engagement in Asian security.

1. EU-Japan Relations⁴

Joint European-Japanese global policies and policy initiatives go usually unnoticed and very rarely (i.e. almost never) get coverage by the international press.

Put bluntly, EU-Japan relations and policies are not "front page material".

Back in 2001 Tokyo and Brussels had very ambitious (on paper) plans as regards international economic, political and security co-operation when adopting the so-called "EU-Japan Action Plan for Co-operation" in 2001 (also "EU-Japan Action Plan", for details see below). However, very few of the envisioned joint policies have actually been implemented and even if political rhetoric voiced during official EU-Japan encounters suggests otherwise, this is unlikely to change in the years ahead-not least in view of a lack of urgency to upgrade and intensify concrete EU-Japan co-operation in international politics and security.

On a positive note, Brussels and Tokyo have over the last ten years established a framework for regular consultations and bilateral meetings, including regular consultations ahead of the annual session of the United Nations Commission on Human Rights in Geneva.

Furthermore, the EU and Japan are jointly supporting international initiatives to achieve global nuclear disarmament and efforts to limit the proliferation of weapons of mass destruction (WMDs). This was accompanied by jointly signing various international disarmament and non-proliferation protocols⁵.

To be sure, jointly signing nuclear disarmament protocols was one thing, following up on the signatures and implementing joint policies quite another as it turned out.

In other words: the EU and Japan citing their joint signatures under international disarmament and non-proliferation protocols as achievements of bilateral policies in the areas of international politics and security have only so much credibility if these signatures do lead not and result in joint policies with a concrete and measurable impact on international security.

⁴ See also A. BERKOFISKY, *True Strategic Partnership or Rhetorical Window-Dressing. A Closer Look at the Relationship between the EU and Japan*, in «Japan Aktuell 2/2008», Institut für Asienkunde (IFA), Hamburg; A. BERKOFISKY, *The EU and Japan: A Partnership in the Making*, Issue Paper European Policy Centre (EPC), February 2007; <http://www.epc.eu/en/pub.asp?TYP=TEWN&LV=187&see=y&t=13&PG=TEWN/EN/detailpub&l=12&AI=555>.

⁵ See *Japan-EU Joint Declaration on Disarmament and Non-Proliferation*, http://ec.europa.eu/comm/external_relations/japan/summit13_22_06_04/disarm.htm.

1.1 Tokyo and the EU in the 1990s

Following the EU-Japan so-called “The Hague Declaration” in 1991⁶, a so-called “EU factor” made it into Tokyo’s policymaking circles when identifying Japan’s foreign and security policy partners in a post-Cold War era. The Japanese (at least on paper) motivation for expanding its relationship with the EU in the early 1990s was to “diversify” its regional and global security policies, which throughout the Cold War had been defined and limited by its security alliance with the US.

Intensifying relations with the EU, it was announced in Tokyo back then, should in the post-Cold War era balance Japan’s global foreign and security policies, making it less dependent on US regional and global foreign and security policy strategies.

This announcement to make Japanese foreign and security policies less focused on the security alliance with the US resulted in the establishment of the so-called “Task Force on Foreign Relations”, a body set up by former Japanese Prime Minister Junichiro Koizumi in 2002.

The November 2002 task force report identified the EU as a “strong partner” in selected areas of cooperation arguing that «In a new world order Japan needs to have a strong partner according to individual issues. In some issues, Europe can be a rational choice as such a partner».

Co-operating with the EU in “some issues” (as opposed to “many”), however, did not necessarily suggest that Japan was willing to embrace the EU as important global foreign and security policy partner. Indeed, the report did not result in any new EU-Japan policy initiatives which could have been understood as a (partial) “diversification” of Japanese foreign and security policies⁷. In reality, the opposite took place when Junichiro Koizumi took office in 2001: After the terrorist attacks in the US on September 11, 2001 Japan intensified its security and military cooperation with the US which amongst others led to a Japanese a refueling mission in the Indian Ocean in support of US military in Afghanistan and the deployment of 1.000 Japanese military troops to Iraq in 2004 to provide humanitarian and medial aid.

Furthermore, Tokyo expanded its security cooperation with Washington in Asia officially signing up for the co-development and co-deployment of a regional missile defense system to counter the threat posed by North Korean Nodong and Taepodong missiles. Also in 2005, Washington and Tokyo decided to revise the 1997 so-called US-Japan Guidelines for Defense Cooperation which for the first time (at least on paper) would give Japan an active (as opposed to a role centered around providing logistical and other forms of back-up support) military role in a regional contingency, including one in the Taiwan Straits.

⁶ The Hague Declaration was not least the result of a Japanese “Europhoria” after the end of the Cold War and was accompanied by Japanese political rhetoric that the first decade of the 21st century would be a “decade of Euro-Japanese cooperation”.

⁷ See also J. GILSON, *Japan and the European Union: A partnership for the twentieth-first century?*, Basingstoke, Macmillan 2002; for a critical Japanese perspective see e.g. TSURUOKA, MICHITO, *Why the EU-Japan partnership cannot flourish?*; paper presented at the British International Studies Association Conference, University of Warwick, December 20-22, 2004.

Leaving current US-Japan friction on the US forces re-alignment plans for Japan⁸ and Tokyo's new government's alleged "new assertiveness" to make the security alliance with the US "more equal and less asymmetrical" aside, the security alliance with Washington will in the years ahead continue Tokyo's main remain Tokyo's main reference to its regional security policies and strategies.

1.2 The EU-Japan Action Plan⁹

In December 2001, the EU and Japan adopted the so-called "Joint Action Plan for EU-Japan Cooperation" which identified more than 100 areas of bilateral cooperation, ranging from joint peacekeeping and security cooperation to strengthened economic and trade cooperation¹⁰.

Today and nine years later it is widely agreed that the action plan suffered from a lack of focus listing far too many areas of bilateral co-operation to be tackled with the limited available resources. This is reflected by how little Brussels and Tokyo were actually able to "do" (as opposed to signing protocols and documents) with regards to international politics and security over the last nine years. And this is despite the fact that the action plan committed the EU and Japan to coordinate their respective development, humanitarian and peacekeeping policies, and intensify cooperation in areas such as conflict prevention, non-proliferation, peacekeeping, post-conflict reconstruction and assistance in Europe and Asia.

Very recently, the EU and Japan have started working on a new EU-Japan action plan which is likely to be adopted in 2011. There is a consensus amongst policymakers in Brussels¹¹ (and probably also in Tokyo) that a new action plan will have to cover far fewer areas and issues of co-operation in order to "produce" tangible results and provide policymakers in both Brussels and Tokyo with guidelines and policy recommendations in the areas of the envisioned cooperation¹².

However, it yet remains to be seen whether the political will and probably more importantly the resources in Brussels and Tokyo are sufficient to make a second EU-Japan Action Plan more successful and result-oriented than the first one. In Brussels, China and not Japan will continue to remain the EU's foreign and foreign economic policy priority in the years ahead and judging by Japan's newly-elected Prime Minister's

⁸ For details see e.g. A. BERKOFKY, *Tokyo Plays Hard to Get with Washington*; ISN Security Watch December 18, 2009, <http://www.isn.ethz.ch/isn/Current-Affairs/Security-Watch/Detail/?lng=en&id=110649>.

⁹ See 'An Action Plan for EU-Japan Cooperation-Shaping our Common Future' www.mofa.go.jp/mofaj/area/eu/kodo_k_e.html.

¹⁰ The plan is divided into four main sections: "Promoting peace and security", "Strengthening the economic and trade partnership", "Coping with global and societal changes", "Bringing together people and cultures".

¹¹ This author's conversations with EU Commission officials directly involved in the drafting of the new action plan confirm this. Conversations with Japanese scholars who are part of a so-called "wise men group" to provide Japan's Ministry of Foreign Affairs with advice on the new envisioned action plan, agree that a new version of such a plan must be much more focused.

¹² This author is part of a group of scholars invited to EU Commission-sponsored brainstorming meetings (the first took place in October 2009, the second taking place in February 2010) dealing with EU-Japan relations in general and a new EU-Japan Action Plan in particular.

foreign policy announcements and initiatives, Tokyo is planning above all to intensify the country's Asian policy agenda, including the resumption of Japan's leadership role as regards regional economic and political integration¹³.

Furthermore-and probably more importantly for a successful implementation of an action plan with a list of issues and areas to cover and work on daily-the number of Japanese officials and bureaucrats within Japan's Ministry of Foreign Affairs working on Europe and relations with the EU are still by far outnumbered by their colleagues working on the US (or China for that matter). As regards the EU, it is fair to point out that the number of Commission officials working on relations with Japan within the Commission Directorate for External Relations (DG Relex in Brussels lingo) is not sufficient enough to dedicate the required resources and time to a more successful and result-oriented implementation of an "EU-style" action plan, i.e. a plan that is far too ambitious typically reading like a "shopping list" of unresolved international issues¹⁴, unless a new action plan with Japan will indeed list far fewer issues and areas of envisioned bilateral cooperation.

1.3 EU-Japan Security Cooperation-Achievements and Limits

EU-Japan co-operation on security issues focuses on non-military (or what is referred to as "alternative") security co-operation, i.e. security co-operation using EU and Japanese financial and economic resources to contribute to peace and stability through Official Development Assistance (ODA) and other forms of development and financial aid¹⁵.

In the 1990s, Tokyo contributed significantly to the reconstruction and pacification of the Western Balkans. Tokyo channelled its assistance to the reconstruction of the Western Balkans through the Conference on Security and Cooperation in Europe (now the Organization for Security Cooperation in Europe, OSCE), of which it became a "Partner of Cooperation" in 1998¹⁶. Since the 1990s to the present, Japan has contributed roughly \$2 billion to the reconstruction of the Western Balkans.

Up to date, both independent and government-sponsored Japanese non-governmental organizations (NGOs) continue to operate in the Balkans, providing financial, developmental and technical support and assistance.

However, non-military security cooperation with the EU continues to complement Tokyo's close military security cooperation with the US in a very limited fashion. From a

¹³ The Prime Minister is particularly keen on putting Japan to the forefront of the promotion and the envisioned establishment of the so-called "East Asian Community", a (yet vaguely defined) "community" comprising states in Northeast, Southeast and South Asia as well as Australia and New Zealand

¹⁴ The EU's action plan with India e.g. is only but one example of the EU's action plans with other countries or regions are typically listing too large a number of issues and areas of envisioned cooperation for policymakers to follow-up on and implement.

¹⁵ See C.W. HUGHES, *Japan's Security Agenda-Military, Economic & Environmental Dimensions*, London, Lynne Rienner Publishers, Boulder, 2004.

¹⁶ European Commission President Jacques Santer and Japanese Prime Minister Toshiki Kaifu held their first talks on possible Japanese involvement in Central and Eastern Europe through its participation in the CSCE at the beginning of the 1990s. In 1994, for the first time, Japan took part in the CSCE meeting in Budapest before becoming a "Partner for Cooperation" in 1998.

Japanese perspective, the EU can contribute very little, if anything at all, to the country's security given the security environment in Tokyo's immediate geographical neighborhood. Close defense ties with the US, supported by roughly 47,000 US troops on Japanese territory, Japan's political mainstream and defense establishment maintain, is what keeps North Korea from attacking Japanese territory with conventional ballistic missiles or worse.

Japan's focus and dependence on the US for its national security notwithstanding, Brussels and Tokyo have over the last 10 years undertaken a number of bilateral and initiatives and established bilateral dialogue fora to deal with international non-proliferation and security issues.

These included¹⁷:

- ✓ joint promotion of the reform of the Conventional Weapons Protocol on anti-personnel landmines;
- ✓ jointly signing the "Joint Declaration on Nuclear Disarmament and Non-proliferation" in June 2005¹⁸;
- ✓ joint adoption of a declaration on Disarmament and Non-proliferation in 2004 promoting the acceleration of the UN Action Plan on small arms and light weapons;
- ✓ joint implementation and co-ordination on small arms and light weapons in Cambodia;
- ✓ co-operation on the Conference on Facilitating the Entry into Force of the Comprehensive Nuclear-Test-Ban Treaty (CTBT) in 2003, 2005, 2007;
- ✓ co-operation on the International Code of Conduct against Ballistic Missile Proliferation (ICOC);
- ✓ biannual meetings of the Japan-EU Troika Working Group on Human Rights since 2003;
- ✓ co-sponsorship of North Korea human rights resolutions;
- ✓ co-chair of the Ministerial Conference on Peace Consolidation and Economic Development of the West Balkans in Tokyo (April 2004);
- ✓ co-operation on the reconstruction and rehabilitation in Southeast Europe by supporting projects through the United Nations Human Security Trust Fund;
- ✓ launch of the EU-Japan Strategic Dialogue on Central Asia with 5 meetings from 2006 to 2008;
- ✓ joint financial sponsorship of the International Criminal Court (ICC)¹⁹.

Jointly signing non-proliferation and disarmament protocols, however, is not the same as implementing joint policies as a follow-up of signatures under international non-proliferation and disarmament protocols and EU policymakers do indeed admit that much more-to put it bluntly-has been done on paper than on the ground over the last decade between the EU and Japan²⁰.

¹⁷ Information provided by Japan Desk, European Commission, Brussels, September 2009

¹⁸ The goal of this agreement is to support the strengthening of the Non-Proliferation Treaty, Comprehensive Test Ban Treaty, Main Battle Tank and Light Armor Weapon Law and the International Atomic Energy Agency's Comprehensive Safeguard Agreements and Additional Protocols.

¹⁹ There is agreement that European and Japanese financial contributions over the years turned out to be vitally crucial for the ICC to operate and function.

²⁰ Author's conversations with EU Commissions officials in Brussels, October 2009

1.4 Discussing East Asian Security

In 2005 Brussels and Tokyo started to discuss Asian regional security issues on a regular institutional basis by launching the so-called “EU-Japan Brussels Strategic Dialogue on East Asian Security” in September of that year.

The establishment of the “EU-Japan Dialogue on East Asian Security” was preceded by the establishment of the “EU-US Dialogue on East Asian Security in 2004” and given that EU weapons embargo imposed on China in 1989 was at all times the central issue on the dialogue’s agenda²¹, it is probably fair to assume that the motivation for Tokyo to initiate regular exchanges on East Asian security was identical to Washington’s motivations in 2004: Putting pressure on Brussels to leave the weapons embargo imposed on China after the Tiananmen massacre in 1989 in place.

Throughout 2004 and 2005, Tokyo and Washington were concerned (unnecessarily as it turned out as the embargo is still in place and nowhere near the top of Brussels’ China agenda) that the EU would lift the embargo, and resume weapons and military technology exports to China actively supporting Beijing’s efforts to modernize its armed forces.

In retrospect (and in view of the fact that neither Tokyo nor Washington ever sought to include the EU in its security strategies for East Asia beyond informal consultations) it can be concluded that neither Tokyo nor Washington would have suggested to set up a dialogue on East Asian security without the possible lifting of the embargo on the agenda²². Before the embargo issue was discussed in 2004, Washington and Tokyo have essentially not shown any interest in discussing Asian security with Brussels and neither the US nor Japan e.g. have never advocated a more prominent EU role in solving the nuclear crisis on the Korean Peninsula such as encouraging or inviting Brussels to become a member of the so-called 6-Party Talks, the multilateral forum to achieve North Korea’s de-nuclearization²³.

1.5 Trade and Business Ties

In 2008, bilateral EU-Japan trade amounted to €117 billion²⁴, down from €121 billion in 2006²⁵. Like in the years before the EU in 2008 reported a trade deficit with Japan amounting to €32 billion.²⁶

²¹ If not the only relevant issue for the US and Japan.

²² EU policymakers, of course, would disagree with this conclusion and argue (as they did when speaking with this author) that both Japan and the US were interested in discussing their respective regional security policy strategies with the EU.

²³ 6-Party Talks: A multilateral forum hosted by China and aimed at de-nuclearizing North Korea. The Six-Party Talks were established in 2003 and the participating nations are the US, Japan, South Korea, China, Russia and North Korea.

²⁴ See Europa Press Releases Rapid 29 April 2009, <http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/09/59&format=HTML&aged=0&language=EN&guiLanguage=en>.

²⁵ The data on EU-Japan trade available on the EU’s websites (on the DG Relex and DG Trade websites) ends with the year 2005; getting up-to-date data from EU websites is cumbersome and analysts often have to rely on press releases from DG Trade of Eurostat publishing recent data in press releases.

²⁶ Most Member EU States recorded trade deficits with Japan in 2008. The largest in the Netherlands (€-8.5 billion), Belgium (€-6.2 billion), (UK €-4.9 billion), Germany (€-4.6 billion) and Spain (€-2.4 billion). The

Among the EU27 Member States, Germany (€12.8 billion or 30% of the total EU-Japan trade) was the largest exporter to Japan in 2008, followed by France (€5.6 billion or 13%), the UK (€4.6 billion or 11%) and Italy (€4.3 billion or 10%). Germany (€17.4 billion or 23%) was also the largest importer, followed by the Netherlands (€11.5 billion or 15%), the UK (€9.6 billion or 13%) and Belgium (€8.4 billion or 11%).

Even though the EU's trade deficit with Japan remains a concern to EU and European economic policymakers, given the relatively limited scale (limited as compared with China above all, see below), the trade deficit does no longer (like in the 1970s and 1980s) feature on top of Brussels' trade agenda with Japan.

In recent years, the EU and Japan launched and held a number of dialogues, either to increase bilateral trade and investments or (probably more importantly) to help each other protecting themselves from intellectual property rights' or patent right violations.

These dialogues are:

- ✓ The High-Level Trade Dialogue²⁷
- ✓ EU Industrial Policy Dialogue
- ✓ Japan-EU Policy Dialogue on the International Patent Agenda (since November 2005)
- ✓ EU-Japan Energy Policy Dialogue (since 2007)

In 2007, Brussels and Tokyo adopted the so-called EU-Japan Action Plan on Intellectual Property Rights (IPR) Protection and Enforcement, a plan to strengthen and coordinate European-Japanese cooperation on IPR at both the bilateral and multilateral levels²⁸.

This dialogue was established not least due to the common problems Europe and Japan are confronted with when doing business and investing in China. Unsurprisingly Beijing called that dialogue targeted at China and Chinese business when the dialogue was launched²⁹.

In the 1990s, the EU and Japan established the so-called EU-Japan Regulatory Reform Dialogue³⁰ aimed at facilitating European exports to Japan burdened by red tape and a complex and above all expensive Japanese distribution system.

Many industry and trade sectors in Japan are still subject to regulations and, in Brussels view, excessive rules and requirements for foreign investors, including agriculture, food safety, transport services, telecommunications, public construction and the financial services sector.

only significant surpluses were registered in Denmark (€+1.1 billion), Ireland (€+0.9 billion) and Finland (€+0.5 billion).

²⁷ For more information see also European Commission, 18th EU-Japan Summit, May 4, 2009, Prague Joint Press Statement; http://ec.europa.eu/external_relations/japan/docs/2009_summit_js_en.pdf.

²⁸ "Target" from a European-Japanese perspective of this dialogue of this dialogue is without a doubt China which has after the establishment of the dialogue voiced claiming that Brussels and Tokyo are "ganging up" on China and its difficulties implementing intellectual property rights in China.

²⁹ And which in China was perceived as EU-Japan dialogue 'aimed' at China as the author's recent interview with Chinese officials indicate.

³⁰ For details see European Commission, EU-Japan Regulatory Reform Dialogue; http://ec.europa.eu/external_relations/japan/regulatory_reform_en.htm.

What's more, foreign investors in Japan are still confronted with a number of barriers, including taxes on "unrealised" capital gains made by foreign companies through mergers and acquisitions in Japan.

In 2006, the Japanese government announced to review the way all-share mergers (cash-free mergers of companies) involving non-Japanese companies are taxed.

This policy review was preceded by a Japanese initiative which lifted the restrictions limiting all-share acquisitions to domestic companies which makes it easier for foreign investors to acquire Japanese companies. Background of that policy review was former Japanese Prime Minister Koizumi's plan to achieve a 100% increase of European foreign direct investment (FDI) into Japan by 2010³¹.

Despite the obstacles for European business operating in Japan, the EU was Japan's main foreign investor in recent years with investments amounting to an average \$5.5 billion per year, driven by investments in telecommunications, car manufacturing, retail and insurance sectors. European business leaders and business associations based in Japan³², however, argue that European FDI to Japan could and indeed should by now be much higher if it were not for the continuous existence of obstacles and regulations distorting competition and rendering investments in Japan unnecessarily costly.

1.4 Implications

The EU's December 2003 European Security Strategy (ESS) envisioned a strategic partnerships with Japan (as well as with China, see below)³³. Until today, however, it is not entirely clear what exactly the "strategic" dimension of bilateral ties is and why the EU and Japan are the "natural allies" the EU Commission refers to Japan as when describing ties with Tokyo at official encounters.

Not least because too little of what Brussels and Tokyo and Brussels were planning to do on paper over the last decade with regards to international politics, economics and security got actually done and the EU-Japan Action Plan envisioned much more of what Brussels were able and willing to do, particularly in the area of security.

In view of the action plan's limited tangible results, it is in many ways an example of how not codify bilateral cooperation in international politics, economics and security.

EU-Japan security cooperation over the last decade is a decade of many lost opportunities. Very little of what was envisioned to take place in terms of bilateral "soft" security cooperation in the framework of the EU-Japan action plan (beyond the signing of disarmament and non-proliferation protocols) has actually taken place.

³¹ See also "Cooperation Framework for Promotion of Japan-EU Two-Way Investment", http://ec.europa.eu/comm/external_relations/japan/summit13_22_06_04/invest.htm.

³² Author's conversations with European business leaders in Tokyo in December 2009 suggested this and is in line with what the EU Commission in Brussels argues as regards the obstacles to European investments in Japan.

³³ As well as with India, Russia, Canada; for details see J. SOLANA, *A Secure Europe in a Better World- European Security Strategy*, European Council, Brussels, December 12, 2003, www.ue.eu.int/uedocs/cmsUpload/78367.pdf.

As regards the above mentioned EU-Japan “Strategic Dialogue on East Asian Security”, almost 5 years after its launch, the dialogue remains hardly known outside of Brussels and will very likely continue not to lead to joint EU-Japan Asian security policies. To be fair, European and Japanese officials counter criticism on the lack of results coming out of the dialogue by arguing that the dialogue was not supposed to produce joint EU-Japan policies, but is instead to be understood as an instrument and forum to inform each other on respective security policies in East Asia.

As regards EU-Japan cooperation in Afghanistan, Japanese Prime Minister has late last year announced to assign additional \$5 billion in civilian aid for Afghanistan and some of the funds are envisioned to be spent on projects jointly implemented with the EU. There is without a doubt scope for further EU-Japanese cooperation in Afghanistan, but it remains to be seen whether policymakers in Europe and Japan will ‘put the money and cooperation where their mouth is’, i.e. whether the envisioned civilian cooperation in the months and years ahead will actually take place in 2010 and beyond.

Furthermore, the Japanese Prime Minister announced during his speech at the UN in New York shortly after taking office last September that Japan plans to increase cooperation with the EU on global environment and climate issues (which as it is now widely agreed amongst analysts and policymakers have at least indirect implications on global security).

However, the recent UN climate summit in Copenhagen did not experience a noteworthy increase on EU-Japan cooperation with regards to climate change and so far it must concluded that intensification of EU-Japan cooperation on climate change issues as envisioned by Japanese Prime Minister Yukio Hatoyama takes place on paper and paper only.

Again, 2010 and beyond will show whether political rhetoric will be able catch up with political reality of EU-Japan cooperation on climate change.

In conclusion, from a European perspective security cooperation with Tokyo has yet not turned out to be Europe “entry ticket” into Asian security as it was hoped in European policymaking circles after the signing of the EU-Japan Action Plan back in 2001.

Tokyo for its part remains relatively disinterested in including Europe and the EU in its regional security policy thinking and strategies, unless EU Asian security policies towards Asia have a potentially direct impact on Japanese security as it could have been the case if the EU had decided to lift its weapons embargo imposed on China in 1989.

2. The EU and China-‘Strategic’ or what kind of Partners?³⁴

Leaving controversial areas like human rights, the EU weapons embargo imposed on China in 1989, the ever growing trade surplus in China’s favor aside, the expansion of EU-China institutional links and bilateral cooperation (at least on paper) has been

³⁴ For a very critical assessment on the EU’s ties with China see A. BERKOFISKY, *The Great Beijing-Brussels Disconnect*, in «The Asia Times», July 8, 2008 <http://www.atimes.com/atimes/China/JG08Ad01.html>.

second to none in recent years³⁵. The 25 so-called EU-China “sectoral dialogues” are part of this and take place on either working or ministerial levels covering areas such as energy, environmental protection, consumer product safety, civil aviation, competition policy, education and culture, employment and social affairs, intellectual property rights (IPR), consumer product safety, maritime transport, regulatory and industrial policy and others³⁶.

Various stakeholders are involved in these dialogues, including officials, politicians and business. The dialogues take the form of working groups, conferences, annual formal meetings or regular informal meetings and representatives from nineteen Directorates General in the European Commission and their respective counterparts in China are involved in these dialogues.

Although not the same level of progress is being achieved in all dialogues yet (essentially none for example in the one on human rights, see below), some of them have in recent years produced concrete and relevant results, such as the one on the environment: EU-Chinese talks on car exhaust emission standards recently resulted in Beijing adopting EU rules and standards in this area.

To be sure, Chinese officials continue to point to the allegedly “informal” (as opposed to “legally-binding”) character of those dialogues when refusing to meet European demands voiced e.g. in the sectoral dialogues dealing intellectual property rights and market access in China.

The EU-China Country Strategy Paper (2007-2013) sets out three main areas for cooperation and the multi-annual indicative program is allocating €128 million for the first four years (2007-2010)³⁷. These funds will be invested in areas covered by EU-China policy dialogues, including the ones dealing with trade, socio-economic development, support for China’s internal reform process, climate change, the environment and energy³⁸. In addition to the EU’s assistance and aid programs a number of EU Member States run individual assistance programs in the areas of poverty reduction, energy, healthcare, rule of law, environment and others.

2.1 Not With One Voice

The EU Commission’s mandate and authority to implement one “set” of European policies towards China on behalf of the Union’s 27 Member States is limited and there is very little institutionalized coordination between the EU Commission (in charge of the Union’s overall trade and economic policies) on the one and the EU Council (in charge of the EU’s foreign and security policies) on the other hand.

³⁵ For a recent analysis see also G.C. BARYSCH, *Can Europe and China Shape a New World Order?*, Centre for European Reform, London, 2008, http://www.cer.org.uk/pdf/p_837.pdf.

³⁶ See European Commission, *An Overview of the ‘sectoral dialogues’ between China and the European Union*, http://ec.europa.eu/external_relations/china/sectoraldialogue_en.htm.

³⁷ For details see European Commission, *External Cooperation Programmes-China*, http://ec.europa.eu/europeaid/where/asia/country-cooperation/china/china_en.htm; the full version of the EU’s China Strategy Paper is downloadable at http://www.asia-programming.eu/wcm/dmdocuments/draft_CSP_China.pdf.

³⁸ For further details see e.g. European Commission, *External Cooperation Programmes, China*, http://ec.europa.eu/europeaid/where/asia/country-cooperation/china/china_en.htm.

Indeed, there are no inner-EU mechanisms and fora coordinating respective Commission and Council policies towards China. Apart from the fact that the lack of inner-EU policy coordination slows down the Union's decision-making process, it has in the recent past resulted in at times inconsistent and contradictory EU China policies. The controversy and inner-European disagreements in 2004 and 2005 over the EU weapons embargo imposed on China after Tiananmen in 1989 is an (infamous³⁹) example in this context.

European inconsistencies and contradictions on whether or whether not the weapons embargo should be lifted led Beijing to claim (and complain until the present day⁴⁰) that the EU is not a credible foreign and security policy actor and consequently not "worthy" and qualified to implement the so-called 'strategic partnership' with China.

Leaving aside that Beijing was (and still is) exploiting inner-European disagreements and controversy on the weapons for its own purposes, EU and European weapons embargo policies were an example of how not to recommend itself as unified foreign and security policy actor.

Beijing's policymakers and its Brussels-based diplomats are of course well aware of and well-informed on the EU's problems and complexities with regards to decision-making and inner-EU policy coordination and are without a doubt taking advantage of them. Beijing and their representatives in Brussels have over recent years made it a habit pointing out and complaining about the inner-European policy inconsistencies.

Whether Beijing really pursues a strategy of creating divisions amongst EU Member States (as some scholars such as François Godement argues) to "get what it wants" from Europe is debatable, but as long as EU Commission and EU Council (not to mention EU institutions and EU Member States' governments) do not to coordinate their EU China policies on a regular basis, Brussels will remain "vulnerable to criticism" from Beijing of not speaking with one but several (contradictory) voices on the same issue, be it on the weapons embargo or more recently EU tariffs imposed of shoes and footwear imported from China.

Beijing is very likely to continue to choose dealing with either EU institutions or individual EU Member States' governments according to what suits its interests best, as a European Council on Foreign Relations (ECFR) April 2009 paper authored by François Godement and John Fox argues forcefully⁴¹. EU Member States for their part will like in the past continue to implement their "own" individual China policies as they see fit regardless of the fact that these policies are not necessarily in compliance or worse contradict the EU Commission's China policies.

³⁹ The controversy surrounding the weapons embargo has led to the establishment of the so-called EU-US (2004) and EU-Japan (2005) so-called "Strategic Dialogue on East Asian Security".

⁴⁰ Until today, Chinese officials and scholars likewise typically and persistently urge Brussels to lift the 1989 weapons embargo and end, as Beijing puts it, the "political discrimination" against China at EU-China track (i.e. official) and track II (non-official) meetings.

⁴¹ See F. GODEMENT, J. FOX, *A Power Audit of EU-China Relations*, European Council on Foreign Relations, April 2009 http://ecfr.3cdn.net/532cd91d0b5c9699ad_ozm6b9bz4.pdf; the paper, this author learned through various conversations with EU officials, has been perceived fairly negatively by policymakers in charge of the EU's policies towards China at the EU Commission as the paper argues that the EU does not only not have a coherent strategy towards Beijing but also because it is unable to have one in view of the EU Member States' competing China policies.

2.2 EU-China Security Cooperation (or the Lack of it)

The EU-China sectoral dialogues mentioned above do not cover security in general and Asian security in particular- not least because Beijing is not interested in discussing Asian security with the EU and does not consider the EU (as opposed to individual EU Member States such as the UK, France and probably increasingly Germany due to its engagement and troops' presence in Afghanistan) to be a security actor in Asia.

The EU weapons embargo imposed on China in 1989 is another reason (maybe for Beijing still THE reason) for China not to cooperate with EU in the area of security. Furthermore, and this has become increasingly clear over recent years, the EU and China have and pursue fundamentally different approaches towards security, be in East Asia, Central, Africa and elsewhere.

While the EU claims to formulate and implement (at least paper) its policies taking into account the protection of human rights, democracy (or willingness to democratize), accountability and transparency in countries it is getting engaged in (above all in the fields of financial and development aid as well as technical assistance), China is accused of conducting so-called "value-free diplomacy", implementing economic and foreign economic policies regardless of political oppression or human rights violations (or both) in countries it is doing business in.

This accusation has (in Europe and the US) in recent years in particular been voiced in the context of China's energy and energy security policies in Africa and Central Asia as well as in parts of Southeast Asia, i.e. Burma).

What Europe and the US refer to as "value-free diplomacy" is what Beijing for its part calls policies along the lines of what it calls the "principle of non-interference", i.e. policies which do not "interfere" with domestic politics in countries China is doing business in.

To be sure, the credibility of Beijing's "principle of non-interference" is debatable in the context of Beijing's policies towards Burma, Sudan and North Korea. Economic, political, financial support for oppressive regimes (and in the case of Burma for a military junta) must realistically be defined as interference in the affairs of the countries- in this case at the expense of the population obliged to live under oppressive regimes.

The EU does not have a position on the so-called "Taiwan issue" beyond declaring that Brussels is supporting a peaceful solution of Chinese-Taiwanese disagreements over the status of Taiwan.

Brussels' refusal to have e.g. a an outspoken position (beyond being "concerned" on paper) on the (reportedly still growing) number of Chinese missiles directed at Taiwanese territory is to be understood in this context.

EU-Taiwan trade amounted to roughly €38 billion in 2008 making Taiwan the EU's fifth largest trading partner in Asia (after China, Japan, South Korea and India)⁴². In view of these significant trade ties (plus in view of the fact that roughly 10.000 Europeans live

⁴² For details see European Commission, *Bilateral Trade Relations, Taiwan*, http://ec.europa.eu/trade/issues/bilateral/countries/taiwan/index_en.htm.

and work in Taiwan) Brussels should (at least in theory) be more interested in and concerned about stability of cross-straits relations⁴³.

To be sure, leaving the existence of Chinese ballistic missiles targeted at Taiwan aside (to date roughly 1000), current cross-strait relations and the current quasi-absence of Chinese-Taiwanese tensions related to Taiwanese independence do not (at least not for now) necessarily “require” a more outspoken EU opinion which from a European perspective would (as this what the EU Commission worries most about) “upset” Beijing’s policymakers⁴⁴.

2.3 Human Rights

The EU discusses human rights with Beijing in the framework of the so-called EU-China Human Rights Dialogue.

The results of this dialogue, EU Commission officials involved in the dialogue admit, must be described as very limited at best, not least because Brussels and Beijing do not agree on what exactly constitutes human rights. Whereas freedom of speech and expression, political and civic rights fall under the EU’s definition of human rights, Beijing typically defines human rights above all as so-called “economic rights”, i.e. the right to leave poverty behind and prosper economically. What’s more, Beijing has in the past been very clear about its limits to talk about human rights with others. Back in April 2007, Beijing e.g. decided to unilaterally cancel the track II (i.e. the non-official and so-called “Experts Seminar”) part of the EU-China human rights dialogue after the EU and Berlin invited a Beijing-“blacklisted” NGO, the Hong Kong-based China Labour Bulletin, an NGO publishing regular reports on the conditions and problems of Chinese laborers⁴⁵.

The cancellation of the EU-China summit in December 2008 in Lyons⁴⁶ again demonstrated that Beijing remains very sensitive about what it considers to be interference in its ‘internal affairs’ and European “advice” on human rights in China clearly falls into the category of such “interference”⁴⁷.

⁴³ For a critical assessments see e.g. A. BERKOFKY, *EU-Taiwan: It’s all Business*, in «The Asia Times», April 5, 2006; <http://www.atimes.com/atimes/China/HD05Ad01.html>; Idem, *Setting Course by Trade Winds*, in «The Taiwan Review», January 6, 2006, <http://taiwanreview.nat.gov.tw/site/Tr/ct.asp?xItem=1222&ctNode=128>.

⁴⁴ Any time in the past when the “Taiwan issue” made it onto the agenda or even to it in the context of EU-China exchanges-be it track I or track II, the Chinese side (scholars usually included) reacted fairly strongly typically forbidding itself any what it refers to as “interference” in China’s internal affairs.

⁴⁵ See «China Labour Bulletin», May 29, 2009, <http://www.china-labour.org.hk/en/node/44896>.

⁴⁶ In protest over France French President Nicolas Sarkozy’s decision to meet the Dalai Lama in the city of Gdansk on 6 December 2008, when Poland marked the 25th anniversary of the awarding of the Nobel Peace Prize to Lech Walesa; already in October 2008 the EU “offended” Beijing when the European Parliament awarded the Sakharov Prize for Freedom of Thought to imprisoned Chinese political activist Hu Jia; see European Parliament, Sakharov Prize 2008 awarded to Hu Jia, http://www.europarl.europa.eu/news/public/story_page/015-39965-294-10-43-902-20081020STO39964-2008-20-10-2008/default_en.htm.

⁴⁷ China, the official rhetoric in Beijing indicates, refuses to get involved in internal political affairs of states it is doing business with explaining e.g. the fact that Beijing has no problems with actively expanding political and economic ties with Sudan, Zimbabwe, North Korea, Burma; for critical assessments see e.g. J. DOSCH, *Managing Security in ASEAN-China Relations: Liberal Peace of Hegemonic Stability*, in «Asian

2.4 Trade Ties

Europe became China's biggest trading partner in 2004, but the EU still exports more to Switzerland than to China, which is not least a result of market access obstacles for European business in China as the EU Commission argues.

In 2008, EU-China bilateral trade amounted to €325 billion with a €170 billion trade deficit in Beijing's favor⁴⁸.

However, approaching the EU-China deficit in isolation, economists argue is not doing justice to the quality and scope of Beijing's trade surplus with Brussels. Asia's share of EU imports has remained stable at 20-25% over the past decade and the growing trade deficit with China can to some extent be explained by the fact that exports from China have partly been replaced exports from other Asian countries. Besides, foreign multinational companies (many of them European) are responsible for roughly 65% of exports out of China, de-facto meaning that Europe (and ultimately European consumers who enjoy the cost benefit of products made in China) contributes to or indeed "produces" a large of the EU's trade deficit with China.

2.5 Market Access Obstacles, IPR and Counterfeit Products

Intellectual Property Rights (IPR) violations in China are a European concern and EU statistics indicate that European business has lost up to €20 billion in China through copyright and trademark infringements in 2008 alone⁴⁹ Beijing has in recent years adopted a number of (at least on paper) effective laws and regulations related to the protection of intellectual property rights, but the enforcement process in China remains slow and only partly transparent, as European continues to maintain. 60% of counterfeit and pirated products sold in Europe are still made in China, the EU Commission points out on a regular basis.

EU business and its representatives in Beijing-above all the European Chamber of Commerce in Beijing-complain in regular reports⁵⁰ about a number of tariff and non-tariff trade barriers on exports from Europe, as well as restrictions on investment in manufacturing and services.

In non-compliance with World Trade Organization (WTO) rules and regulations, the

Perspective», Vol. 31, No. 1, 2007, pp. 209-236; also H. RESTALL, *China's Bid for Asian Hegemony*, in «The Far Eastern Economic Review», May 2007; A. BERKOFISKY, *The hard facts on soft power*, in «The Asia Times», May 25, 2007, <http://www.atimes.com/atimes/China/IE25Ad01.html>.

⁴⁸ See Europa Press Releases Rapid, May 18, 2009, <http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/09/72&format=HTML&aged=0&language=EN&guiLanguage=en>.

⁴⁹ For further details European Commission (October 24, 2006), *Closer Partners, Growing Responsibilities* A policy paper on EU-China trade and investment: Competition and Partnership; for a critical assessment of the EU's China October 2006 trade paper see also A. BERKOFISKY, *The EU Unleashes a Paper Tiger*, in «The Asia Times», February 3, 2007; http://www.atimes.com/atimes/China_Business/IB03Cb06.html; also Idem, *Europe Gets Tough on China*, in «The Far Eastern Economic Review», February 2007, <http://www.feer.com>, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0632:FIN:EN:PDF>.

⁵⁰ For details on EU complaints with regards to what the EU refers to as unfair trade, investment and business practices the European Business in China Position Paper 2008/2009 published at the European Chamber of Commerce Beijing; see <http://www.eurochamber.com.cn/view/media/publications>.

Chamber's 2008 "EU Business in China Position Paper" argued, Beijing continues to maintain a number of high tariffs in industries of particular importance such as textiles, clothing, footwear, leather and ceramics.

As regards Chinese non-tariff barriers, European exporters are according to the EU Chamber of Commerce facing an increasing number of non-tariff barriers such as product certification, labelling standards, import-approval requirements and customs clearance delays⁵¹. Brussels and the EU Chamber of Commerce in Beijing also request Beijing to abolish government-initiated so-called "China-first approaches" in what Brussels and the chamber refer to as key sectors, such as steel, automobiles, shipbuilding and semiconductors. However, given that China has only recently introduced these policies aimed at aiding and protecting local industries and limiting EU (and US) exports in the above sectors it remains yet unlikely that Beijing will abolish them any time soon as requested by the EU (and the US).

While the process of enforcing intellectual property rights in China will continue to be slow, the EU will continue filing anti-dumping cases against China at the WTO in Geneva on a (fairly) regular basis.

The protection of intellectual property rights-and Beijing is of course well aware of this-is in China's interest if it is to achieve the goal to climb the value-added chain adding more than on average relatively low 15% in value to products made in China.

Chinese academics and experts argue that the protection of intellectual property rights in China (and amongst Chinese companies and competitors) will continue to move on Beijing's internal economic policy agenda in order to manage and achieve the gradual transition from developing to developed economy, i.e. a gradual development from China as "factory of the world" towards an economy with a globally more competitive services sector, amongst others things.

Consequently, the protection of intellectual property rights in China, it is being argued amongst Chinese experts, will happen "from within" as opposed through pressure from the outside.

What does China want from the EU with regards to trade and investment and market access? Beijing wants Europe above to reduce the number of its WTO anti-dumping cases against China which continue to dominate the coverage of EU-China relations in the press. China has in recent years Europe's main target for anti-dumping cases (currently there are more than 40 cases EU anti-dumping cases in place) and is requesting Brussels to address trade and investment-related concerns on a bilateral level as opposed to take bilateral disagreements to the WTO.

China is also concerned about what Beijing refers to as "peak tariffs" in some parts of manufacturing and is confronted with enormous difficulties to comply with European sanitary standards which are perceived as protectionist and barriers to trade. Also, China requests Europe to lower trade barriers in agriculture to further open the

⁵¹ For the most EU's most recent (September 2009) request towards China to abolish trade barriers restricting EU investments in China see Europa Press Releases, *China: EU calls for less barriers, more IPR protection to boost investment*, <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1285&format=HTML&aged=0&language=EN&guiLanguage=en>; see also e.g. J. THORNHILL, *Trading Strains*; in «The Financial Times», October 1, 2008.

European market to Chinese farmers. So far, the EU and Europe have not made any concessions in these areas.

In sum, in Beijing's view European trade policies are becoming increasingly protectionist discriminating against Chinese exporters and admittedly amongst European economists and observers there are more than a few who would agree with that assessment.

The so-called EU-China High Level Economic and Trade Dialogue Mechanism (HLM)⁵², inaugurated in Beijing in April 2008, was envisioned to deal with market access obstacles, IPR and other problems related to EU investments in China. While the EU Commission stresses the promotion of trade and investment cooperation, technology transfer trade and trade facilitation as the rationale of that dialogue, the EU Delegation in Beijing has in its statements on the dialogue been more upfront about what European business investing in China wants the dialogue to be: A forum to remove the remaining WTO non-compliant market access obstacles confronting European businesses in China.

The HLM's function and importance will continue to be perceived very differently in Brussels and Beijing. While Brussels hopes that the dialogue will eventually lead to concrete and measurable progress on the above mentioned issues (just like the US hopes (so far in vain) that the so-called "US-China Strategic Economic Dialogue"⁵³ will turn into an instrument to achieve progress on the same issues), Beijing on the other hand stresses the HLM's informal (as opposed to legally-binding) character of that dialogue⁵⁴.

What's more, the bilateral trade dialogue will continue to suffer from a number of structural weaknesses. These would have to be removed for the dialogue to become more result-oriented and anything like the US-China "Strategic Economic Dialogue". Despite ongoing (and recently intensifying) controversy centered around exchange rate policies, the US-China "Strategic Economic Dialogue"⁵⁵ whose agenda is being prepared by a bilateral US-China study group-has achieved some progress on the US-China trade agenda since the dialogue was established in 2006. The US and China agreed to small openings in China's financial sector⁵⁶, signed several food safety

⁵² For details see Europa Press Releases, April 25, 2008, *EU and China start high-level economic and trade talks*, <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/648&format=HTML&aged=0&language=EN&guiLanguage=en>; 9 EU Commissioners led by Commission President Barroso traveled to Beijing for the dialogue's inaugural session in Beijing last year.

⁵³ See U.S. Department of the Treasury, "US-China Strategic Economic Dialogue", <http://www.ustreas.gov/initiatives/us-china>.

⁵⁴ For a very critical assessment of that dialogue see S. RAZEEN, *The EU's View of China*, East Asia Forum, December 24, 2009, <http://www.eastasiaforum.org/2009/12/24/the-eus-view-of-china/>; also A. BERKOFISKY, *The EU-China Honeymoon is over*, in «ISN Security Watch», International Security Network (ISN), Zurich, May 29, 2008, <http://www.isn.ethz.ch/isn/Current-Affairs/Security-Watch/Detail/?ots591=4888CAA0-B3DB-1461-98B9-E20E7B9C13D4&lng=en&id=88403>.

⁵⁵ See U.S. Department of the Treasury, US-China Strategic Economic Dialogue; <http://www.ustreas.gov/initiatives/us-china/>

⁵⁶ Such as allowing US banks to issue bank cards in local currency, the licensing of international security companies, allowing US insurance companies to open branches in China, allowing US investors in securities to open papers in local currency, allowing the NYSE and NASDAQ to open branch offices in China

agreements⁵⁷ and a civil aviation agreement⁵⁸. Furthermore, Washington and Beijing have since 2006 signed a number of agreements and memoranda of understanding in the tourism sector, transport sector, export safety sector and environmental sector⁵⁹. China's biggest trading partners within the EU-Germany, France and the UK-have so far not been actively involved in the dialogue, not least because their focus is on competing with each other for so-called "big ticket" business deals in China.

In areas such as investment and services, European policy is still fragmented lacking inner-European coordination, consensus and ultimately credibility.

2.6 Implications

The bilateral EU-China agenda will continue to be dominated by "bread-and-butter" issues such as trade deficit in China's favor, intellectual property rights, market access obstacles for European business in China and most recently the controversy centered around the EU extension of additional tariffs on shoes made in China (with the EU accusing China of dumping Chinese-made on the European market, i.e. selling (supported by subsidies provided for by the Chinese government) Chinese-made shoes below the price of production in China)⁶⁰.

The EU's above mentioned timid position on the so-called "Taiwan question" and Brussels' decision not to "rock the boat" by e.g. urging Beijing to reduce the number of Chinese missiles directed at Taiwanese territory is an indication that Brussels is not willing to get further involved in Asian hard security, especially if one of the concerned parties is China.

To be sure, Beijing will continue not to have to "worry" about too much EU interest in the so-called "Taiwan issue" with Brussels "obeying" China declaring its commitment towards to the so-called "One-China-principle" (acknowledging Beijing as the sole of all Chinese people, including those in Taiwan) at some point during every official EU-China encounter.

The EU-China so-called "strategic partnership" (proclaimed in 2003) will continue not to include the notion of "strategic" in a security sense (even if the US and Japan initially thought and feared so, especially when the possible lift of the EU weapons embargo made it to the top of the EU-China agenda in 2004/2005). Instead, "strategic" will continue to stand for "comprehensive" in the context of bilateral relations, amongst others reflected by the number of the steadily increasing number of the above mentioned "strategic dialogues".

⁵⁷ Such as the signing of several memoranda of understanding on food a, drugs and medical products, alcohol and tobacco products etc.

⁵⁸ The expansion of the US-China civil aviation agreement meaning more flights, the liberalization of cargo services in 2011 and the beginning of liberalization of passenger services starting in 2010.

⁵⁹ See I. DREYER, F. ERIXON, *An EU-China Trade Dialogue: A New Policy Framework to Contain Deteriorating Trade Relations*, ECIPE Policy Briefs No.3, 2009.

⁶⁰ A very controversially discussed issue inside of Europe, mostly because China is designated as "non-market" economy meaning that the prices of Chinese shoes are compared with prices in a third country, in this case Brazil; see also A. BEATTLE, Q&A: *Dumping Shoes*, in «The Financial Times», November 18, 2009.

The so-called “EU-China Partnership and Cooperation Agreement (PCA)” is planned to be the next “event” on the bilateral agenda, Brussels has been announcing for more than 3 years⁶¹. However, apart from reading on the official record that the PCA will take EU-China relations to the “next level”, there is very little information available on how bilateral relations will change in scope and quality once the PCA gets adopted.⁶²

To be sure, when and if adopted, the PCA will not result in any additional EU-China security cooperation.

3. The EU's relations with North Korea

North Korea's second nuclear test in May 2009⁶³ (the first one took place in October 2006) confirmed that the EU's role to denuclearize North Korea will be the same as the in the years before: Providing however-shaped ‘political support’ for the so-called 6-Party Talks while continuing a very limited engagement course towards North Korea through equally limited and sporadic humanitarian and food and economic engagement activities.

The EU's current relative inactivity on the Korean Peninsula stands in contrast to the Union's economic and political engagement policies towards North Korea of the early 2000s.

In May 2001, the EU established diplomatic relations with Pyongyang and many EU Member States followed the EU example in 2001 and 2002.

Today, 26 out of 27 EU Member States (except France which cites North Korea's human rights situation as obstacle to the establishment of diplomatic relations with Pyongyang) maintain bilateral diplomatic relations with Pyongyang.⁶⁴

The establishment of EU-North Korea diplomatic relations, however, has not led to increased EU influence on politics and security in North Korea (as it was hoped in Brussels in the early 2000s), not least because Brussels did not turn into a “counterweight” of US policies towards North Korea as it was initially hoped in Pyongyang.⁶⁵

After the detection in 2002 of what was believed to be a clandestine North Korean nuclear program, Brussels instead followed almost immediately (and without spending much time to verify whether what US spy satellites have detected was indeed a secret

⁶¹ There is yet very limited (essentially none) information available on the new envisioned partnership agreement other than announcing that the new agreement will take EU-China relations to (a yet to be defined) “new level”; for some limited information see http://ec.europa.eu/external_relations/china/dialogue_en.htm.

⁶² See also A. BERKOFKY, *The Great Brussels-Beijing Disconnect*, in «The Asia Times», July 8, 2008, <http://www.atimes.com/atimes/China/JG08Ad01.html>.

⁶³ Which led to the reinforcement of existing EU sanctions against North Korea, see e.g. *EU urges tough response to North Korea's “irresponsible acts”*, EU Business, May 25, 2009; <http://www.eubusiness.com/news-eu/1243250640.71>; *EU adopts North Korea sanctions*, EU Business, May 26, 2009, <http://www.eubusiness.com/news-eu/1248700622.95/view>.

⁶⁴ While seven EU Member States (Bulgaria, Germany, Great Britain, Hungary, Poland, Romania and Sweden) maintain embassies in Pyongyang, the other Member States have themselves represented by either their embassies in Seoul or Beijing. The EU itself does not maintain an embassy in Pyongyang and is (depending on the issue and the political circumstances) represented by its ambassador in Seoul.

⁶⁵ Various conversations with North Korean officials in 2003, 2004, 2007 and 2008 confirm this.

North Korean nuclear program) Washington's lead to interrupt economic and political engagement with Pyongyang.

3.1 The EU and the 6-Party Talks⁶⁶

The so-called 6-Party Talks were established in 2003 after US reconnaissance satellites in October 2002 detected a clandestine North Korean nuclear program producing nuclear weapons-grade highly enriched uranium. The talks gained additional relevance when Pyongyang conducted its first nuclear test in October 2006 and declared itself a de-facto "nuclear state". The talks continued despite the nuclear crisis eventually leading to the so-called "February 2007 agreement" which codified the provision of economic, financial and energy aid for North Korea in return for the verifiable and sustainable end of Pyongyang's nuclear programs (and eventually dismantlement of all North Korean facilities).

Brussels has never publicly requested a seat at the 6-Party Talks negotiation table in Beijing either and has until the present day essentially limited itself to offering verbal "political support" for the 6-Party Talks⁶⁷.

In a speech at the European Parliament on 11 October 2006, the EU Commissioner for External Relations Benita Ferrero-Waldner mentioned EU "political support" for the 6-Party Talks, but did not quantify and qualify what kind of "political support" the EU is willing and able to offer to a forum and a negotiation process it is not part of⁶⁸.

However, not being invited to Beijing was not necessarily a disadvantage according to Robert Carlin, visiting fellow at the Centre for International Security and Cooperation (CISAC) at Stanford University and former senior policy advisor at the Korean Peninsula Energy Development Organization (KEDO) (2002-2006):

«The 6-Party Talks were always going to be a dead end, and it never made any sense to me why the Europeans would want to tie themselves to the mast of a ship that was so clearly doomed».

«The talks, were based on the entirely false premise that the 1994 Agreed Framework⁶⁹ "had failed" because it was a bilateral arrangement, and the way to hem the North Koreans in was to surround them at the negotiating table with five other parties».

⁶⁶ A multilateral forum hosted by China and aimed at de-nuclearizing North Korea. The 6-Party Talks were established in 2003 and the participating nations are the US, Japan, South Korea, China, Russia and North Korea.

⁶⁷ For details on the EU's position on and approach towards the 6-Party Talks see e.g. Council of the European Union, 22 July 2008, Declaration by the Presidency on behalf of the European Union on the 6-Party Talks, http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/cfsp/101890.pdf; for a critical assessment of the EU's "non-role" in North Korea see also A. BERKOFISKY, *EU: On the Bench in Pyongyang*, in «ISN Security Watch», International Security Network (ISN), Zurich, February 17, 2009; <http://www.isn.ethz.ch/isn/Current-Affairs/Security-Watch/Detail/?ots591=4888CAA0-B3DB-1461-98B9-E20E7B9C13D4&lng=en&id=96587>.

⁶⁸ Benita Ferrero-Waldner, North Korea Speech at the European Parliament, October 11, 2006, <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/06/587&format=HTML&aged=1&language=EN&guiLanguage=en>.

⁶⁹ A bilateral deal between the US and North Korea by which Washington offered energy and aid in return for Pyongyang foregoing its nuclear ambitions.

3.2 No Say, No Pay?

After Pyongyang agreed in February 2007 to disable and dismantle its plutonium-producing reactors in return for the provision of energy and financial aid, Javier Solana, the EU's High Representative for the EU's Common Foreign and Security Policy (CFSP) announced that the EU would from now on request to be a 'player' as opposed to only "payer" in a post-nuclear North Korea.

Glyn Ford, former member of the European Parliament and frequent visitor to North Korea calls this "No-say-no-pay" approach towards North Korea Brussels in his 2008 book *North Korea on the Brink-Struggle for Survival*. The EU and Solana, Ford writes in his book, were planning to take North Korea's (at least on paper) willingness to make progress with regards its denuclearization process as an opportunity to define and formulate a new and possibly expanded EU role in a post-nuclear North Korea.

«After February's deal in Beijing (2007), the spokesperson of Javier Solana, the High Official for the CFSP, speaking to the European Parliament's Foreign Affairs Committee made it clear that this time around the EU wanted to be a player not a payer in any final accounting».

However, these plans have never materialized and the EU Council and Solana have never followed up on that rhetoric which back then indeed sounded like a "new" and decisively more active EU security policy approach towards North Korea.

3.3 Food and Humanitarian Aid

From 1995 until 2005, the EU has provided North Korea with humanitarian aid worth roughly Euro 370 million even if the EU's most recent notable provision of food aid for North Korea dates back to November 2006⁷⁰. What's more, transport costs to and distribution costs in North Korea are included in the overall amount provided for humanitarian aid significantly reducing the actual money available for actual food and humanitarian aid such as medicines and medical supplies.

Through the so-called EU Food Security program the EU is funding NGO projects over the period 2007-2010 out of a €35 million budget set aside for the DPRK in 2002, but for the time being the EU has no plans to provide North Korea with additional humanitarian and food aid arguing that North Korea's current humanitarian and food situation does not require additional large-scale food aid.

The World Food Program (WFP) does not share that assessment and maintains that North Korea's 2008 harvest is the worst in a decade.

What's more, malnutrition amongst infants, children and women is still and as ever above 30% and more than 50% of North Korea's population, the WFP states in a report on North Korea, does not have access to basic medical services and supplies⁷¹.

⁷⁰ http://ec.europa.eu/external_relations/korea_north/docs/2006_hu_assist_301106_en.pdf.

⁷¹ Furthermore, the WFP estimates that 2008 could have been the worst harvest in North Korea for more than a decade. According to WFP there is a deficit of 1.6 million tons of grain and crops meaning that up to 7 million North Korean could suffer from acute hunger in the years ahead; for details see World Food Programme-Where We Work-North Korea; http://www.wfp.org/country_brief/indexcountry.asp?country

3.4 Past EU Economic Engagement Policies

As formulated in the EU's 2002 North Korea Country Strategy Paper (CSP) a total of Euro 35 million had been set aside for EU technical assistance projects until 2006⁷². The CSP-together with the EU's National Indicative Program (NIP) for North Korea-set out the framework and objectives for technical assistance projects in North Korea.

At the time, this made the EU the only substantial donor of technical assistance to North Korea and the CSP and NIP were to provide for training in market economic principles and projects designed to support and promote sustainable management and the efficient use of natural resources and energy in the DPRK, as well as institutional support and capacity-building.

The Country Strategy Paper (2002)⁷³ foresaw the following areas of co-operation:

- ✓ institutional support and capacity building,
- ✓ sustainable development and use of natural resources including access to sustainable energy sources,
- ✓ sustainable transport sector and rural development⁷⁴.

Basis for the aid and projects formulated in the CSP was the EU's assessment that support for North Korea's industrial sector (above all coal, steel) as opposed to support for the agricultural sector is crucial for a possible economic recovery in North Korea. Back then Brussels concluded that the structure of North Korea's economy is similar to the structure of many Eastern European economies of the 1990s (as opposed to the structure of fellow Asian economies with and large and developed agricultural sectors). Consequently, EU aid and technical assistance in 2002 focussed on North Korea's industrial sector such as coal and the heavy industry.

Initially, North Korea seemed willing not only to accept EU economic and financial aid but also to learn from Europe how to run and manage an economy in need of economic and structural reforms⁷⁵. Amongst others, Pyongyang sent a group of senior officials to Europe in 2002 to learn about EU economic policies and models and welcomed the EU

[=408](#); see also S. HAGGARD, M. NOLAND, E. WEEKS, *North Korea on the Precipice of Famine*; Policy Brief, Peterson Institute for International Economics, May 2008; <http://www.nautilus.org/fora/security/08042HaggardNolandWeeks.pdf>.

⁷² European Commission, North Korea Country Strategy Paper, http://ec.europa.eu/external_relations/north_korea/csp/index.htm.

⁷³ See also, A. BERKOFISKY, *EU's North Korea Policy a Non-Starter*, in «The Asia Times», July 10, 2003, <http://www.atimes.com/atimes/Korea/EG10Dg01.html>.

⁷⁴ See also A. BERKOFISKY, *EU's Policy Towards the DPRK-Engagement or Standstill?*, Briefing Paper, European Institute for Asian Studies (EIAS), Brussels, 2003.

⁷⁵ On North Korea's economic reform process and later its interruption see e.g. O.B. BABSON, *Economic Perspectives on Future Directions for Engagement with the DPRK in a Post-Test World*, The Stanley Foundation, December 2006, www.stanleyfoundation.org/publications/pab/BabsonPAB.pdf; also A. BERKOFISKY, *North Korean Economy: Reform, Collapse*, in «ISN Security Watch», International Security Network (ISN), Zurich, May 8, 2007, <http://www.isn.ethz.ch/news/sw/details.cfm?id=17586>; F. RÜDIGER, *Can Economic Theory Demystify North Korea?*, Nautilus Institute <http://www.nautilus.org/fora/security/0644Frank.pdf>; Idem, *Systemic Restrictions, Quantitative Analysis, Ideological Background*, in «Journal of the Asia Pacific Economy», Vol. 10, No. 3, pp. 278-311, August 2005.

Parliament's initiative to establish regular exchanges between the European Parliament and North Korea's political leadership.

Precondition for the successful implementation of European aid and technical assistance programs was Pyongyang's willingness and efforts to implement economic and structural reforms. Initially, North Korea's political leadership seemed prepared to implement fairly and (by North Korean standards) wide-ranging economic reforms and in 2002 and partially liberalized wages and prices to enable farmers to make and increase profits⁷⁶.

Many of Pyongyang's economic reforms, however, have been interrupted and (at least for now) terminated indefinitely as Leonid Petrov, Research Associate at the Australian National University in Canberra, argues.

«In 2004, North Korean government officials and the army were told that market liberalism was a temporary phenomenon and would not be tolerated in the future. The economic policy of partial liberalization started in July 2002 was gradually abandoned and old patterns of central economic planning, public distribution system, and strictly controlled market activity were being reintroduced».

Although the outbreak of the nuclear crisis in 2002 put an end to the implementation process of the EU's North Korea CSP, Brussels has not suspended all economic assistance and engagement activities in North Korea. In 2004, 2005 and 2007 e.g. EU Commission delegations visited North Korea to hold seminars on EU-North Korea relations and economic reforms in North Korea.

3.5 (Very) Limited Trade

The EU-North Korea trade volume is negligible and given its very small volume it does not even feature on the website of the Commission's Directorate-General for External Trade (DG Trade). The most recent data of bilateral trade available on EU Commission websites dates back to 2002⁷⁷. According to more up to date (non-EU) sources the bilateral EU-North Korea trade volume between 1995 and 2005 fluctuated between \$ 200 and 400 million annually representing an almost irrelevant share of the EU's overall external trade.

North Korea's overall external trade volume-mainly thanks to its booming bilateral with China-, however, has increased in recent years. Bilateral trade between China and North Korea in 2007 amounted to \$1.7 billion and China is by now far the largest investor in North Korea. Roughly 150 Chinese companies are operating in North Korea and more

⁷⁶ Siehe O.B. BABSON, *Economic Perspectives on Future Directions for Engagement with the DPRK in a Post-Test World*; The Stanley Foundation, December 2006, www.stanleyfoundation.org/publications/pab/BabsonPAB.pdf; A. BERKOFKY, *North Korean Economy: Reform, Collapse*, in «ISN Security Watch», International Security Network (ISN), Zurich, May 8, 2007 <http://www.isn.ethz.ch/news/sw/details.cfm?id=17586>.

⁷⁷ More up-to date data are e.g. to be found on the website of the European Union Delegation to South Korea, <http://www.delkor.ec.europa.eu/home/relations/dprkrelations/economytrade.html>; see also H.-J. SCHMIDT, *Peace on the Korean Peninsula-What can the EU Contribute to the 6-Party Process?*; Peace Research Institute Frankfurt PRIF Reports No. 75, 2006, <http://www.hsfk.de/fileadmin/downloads/prif75.pdf>.

than 80% of consumer goods sold in North Korea originate in China⁷⁸. In 2008 trade with China amounted to more than 70% of North Korea's overall external trade.

The modest EU-North Korean bilateral trade volume notwithstanding, European business does not shun North Korea completely. Recent European-North Korean business cooperation include the PyongSu pharmaceutical joint venture (JV)⁷⁹ (which produces generics like aspirin for the North Korean domestic market) a Polish-North Korean shipping joint venture and a partnership in IT services between the Korea Computer Centre (KCC) and a German partner company. The most successful joint ventures, however, are probably tobacco and beer. The British American Tobacco (BAT) plant close to Pyongyang is operating profitably and the North Korean Taedonggang Brewery shipped stock and barrel from Trowbridge in the UK to North Korea to open up a brewery in Pyongyang.

3.6 Implications

The EU could have continued its economic engagement towards North Korea in spite of the nuclear revelations offering North Korea and the international community an alternative approach of how to deal with a failing state on the brink of going nuclear.

However, Brussels has chosen to follow the US lead back in 2002 and suspended its originally ambitious and comprehensive economic engagement programs towards North Korea as soon as Washington announced that its reconnaissance satellites have detected a clandestine North Korean nuclear programme.

Brussels' initial willingness to engage North Korea politically and economically as well as its contributions to the Korean Energy Development Organization (KEDO) in the mid-1990s have not convinced interested parties (US, South Korea, Japan) that the EU is "qualified" for a role in solving "hard security" issues on the Korean Peninsula.

To be sure, Brussels has not sought such a role and has never requested (at least not officially) to become a member of the 6-Party Talks, thereby probably confirming its (and its Member States') disinterest in investing resources and energies into a forum dominated by US and Chinese influence.

Accordingly, limiting itself offering to the above mentioned "political support" for the 6-Party Talks stands for the EU's de-facto decision to exclude itself from solving the nuclear crisis on the Korean Peninsula.

⁷⁸For more and analysis on China-North relations see *China and North Korea: Comrades Forever?*, International Crisis Group Asia Report No. 112, February 2006; <http://www.crisisgroup.org/home/index.cfm?id=3920&l=1>.

⁷⁹This enterprise was founded in 2004, a joint project between North Korea's Ministry of Health and Swiss Inter Pacific Holding which operates through the North Korea Development Corporation it supports financially, see also <http://www.pyongsu.com/aboutus.html>.

Conclusions

The above analysis of the EU's relations with Japan, China and North Korea provided us with some conclusions on why the EU's role and engagement in Asian security is bound to remain very limited and will continue to take place on an ad-hoc basis in the years ahead.

Not least-or probably above all in terms of day-to-day-politics-because Brussels is faced with the challenge of seeking to initiate and implement security cooperation with states and governments with different political cultures, political systems and different levels of preparedness to cooperate on (sensitive or controversial) security issues with others, including the EU.

While security cooperation with democracies (e.g. Japan, South Korea, India) should be (at least on paper) comparatively unproblematic (or at least possible), the same cooperation with authoritarian regimes and non-democracies is inevitably more difficult or more often than not often impossible, especially (as this is e.g. the case with Beijing on the above discussed so-called "Taiwan question" and with North Korea on the nuclear crisis on the Korean Peninsula) if the partner envisioned for security cooperation is part of a security conflict or contingency in question.

The above mentioned inner-European conflicts and problems with regards to the formulation and implementation of European foreign and security policies towards Asia aside, Asian security (as opposed to security closer to "home" such as in Eastern and Central Europe and Russia) will continue not to be a priority on the EU's external relations agenda in the years ahead, despite of strong European trade and business ties in and with Asia.

Concluding on a positive note, the EU will continue to remain Asia's main provider of "soft security" such as food, humanitarian, economic and financial aid thereby contributing more to Asian regional peace and stability than involvement in Asian security ever could.