

THE ASIA-EUROPE  
MEETING: CONTRIBUTING  
TO A NEW GLOBAL  
GOVERNANCE  
ARCHITECTURE

The Eighth ASEM Summit  
in Brussels (2010)

*Edited by*  
**Sebastian Bersick and Paul van der Velde**

AMSTERDAM UNIVERSITY PRESS

**The Asia-Europe Meeting: Contributing to a New Global  
Governance Architecture**



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# **The Asia-Europe Meeting: Contributing to a New Global Governance Architecture**

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## Abbreviations

ADB	Asian Development Bank
AEBF	Asia-Europe Business Forum
AECF	Asia-Europe Cooperation Framework
AEPF	Asia-Europe People's Forum
AEVG	Asia-Europe Vision Group
AFC	Asian Financial Crisis
AIBC	ASEAN-India Business Council
AMF	Asian Monetary Fund
AMISOM	African Union's Military Mission to Somalia
ANSN	Asian Nuclear Safety Network
APEC	Asia-Pacific Economic Cooperation forum
APMF	Asian Pacific Monetary Fund
APT	ASEAN+3
ARF	ASEAN Regional Forum
ARP	ASEM Research Platform
ASCOPE	ASEAN Council on Petroleum
ASEAN	Association of Southeast Asian Nations
ASEF	Asia-Europe Foundation
ASEFUAN	Asia-Europe Foundation Alumni Network
ASEM	Asia-Europe Meeting
ASEP	Asia-Europe Parliamentary Partnership
ASiE	Asia in the Eyes of Europe
AU	African Union
AVS	ASEM Virtual Secretariat
BIS	Bank for International Settlements
BOZAR	Museum of Fine Arts
CAEC	Council for Asia Europe Cooperation
CCS <sub>4</sub>	Connecting Civil Societies 4
CECA	Comprehensive Economic Cooperation Agreement
CF	cash flow
CFSP	Common Foreign and Security Policy
CGPCS	Contact Group on Piracy off the Coast of Somalia
CMI	Crisis Management Initiative
CMF	Combined Maritime Forces
CNPC	China National Petroleum Corporation

COSA	Commission on Security Arrangements
CPM	Communist Party of India
CSDP	Common Security and Defence Policy
CTF	Combined Task Force
DPR Lao	Democratic People's Republic Laos
DPRK	Democratic People's Republic Korea
EAEF	EC-ASEAN Energy Facility
EAEG	East Asian Economic Group
EAS	East Asia Summit
ECT	Energy Charter Treaty
EIAS	European Institute for Asian Studies
EIDHR	European Initiative for Democracy and Human Rights
EIU	Economist Intelligence Unit
EMS	European Monetary System
EMU	Economic and Monetary Union
EOM	election observation mission
ESDP	European Security and Defence Policy
ESiA	European Studies in Asia network
EU	European Union
EUforAsia	Europe-Asia Policy Forum
EUPM	European Union Police Mission
EUTC	European Union Trade Union Confederation
FDI	foreign direct investment
FMM	Foreign Ministers' Meeting
FSAP	Financial Sector Assessment Programme
FSB	Financial Stability Board
FSF	Financial Stability Forum
FTA	free trade agreement
GDP	gross domestic product
HLM	high-level meeting
IADB	Inter-American Development Bank
ICAS	International Convention of Asia Scholars
ICC	International Criminal Court
IFI	international financial institution
IIAS	International Institute for Asian Studies
ILO	International Labour Organization
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IMO	International Maritime Organization
IMP	Initial Monitoring Presence
IOC	International Organizing Committee
IORARC	Indian Ocean Rim Association for Regional Cooperation
IPD	Institute for Popular Democracy
IPAP	Investment Promotion Action Plan

IRTC	Internationally Recommended Transit Corridor
ITUC	International Trade Union Confederation
JCIE	Japan Centre for International Exchanges
LCR	liquidity coverage ratio
MARLO	Maritime Liaison Office
MDG	Millennium Development Goals
MSCHOA	Maritime Security Centre, Horn of Africa
NAFTA	North American Free Trade Agreement
NAM	Non-Aligned Movement
NATO	North Atlantic Treaty Organization
NOC	National Organizing Committee
NSFR	net stable funding ratio
OECD	Organization for Economic Cooperation and Development
OEF	Operation Enduring Freedom
OPLAN	Operational Plan
OSCE	Organization for Security Cooperation in Europe
PBOC	People's Bank of China
PCA	Partnership and Cooperation Agreement
PDVSA	Petroleos de Venezuela SA
PRC	People's Republic of China
PULO	Pattani United Liberation Organisation
R&D	research and development
ReCAAP	Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia
RII	Rabobank International Indonesia
RMB	Renminbi
RO	regional organisations
ROSCs	Reports on the Observance of Standards and Codes
RRM	Rapid Reaction Mechanism
RSF	required stable funding sector
SAARC	South Asian Association for Regional Cooperation
SAFTA	SAARC Free Trade Area
SAPTA	SAARC Preferential Trade Arrangement
SCO	Shanghai Cooperation Organization
SHADE	Shared Awareness and Deconfliction
SME	small and medium enterprises
SNMG1	Standing NATO Marine Group One
SOM	Senior Officials' Meeting
SOMTI	Senior Officials' Meeting on Trade and Investment
TAC	Treaty of Amity and Cooperation
TFAP	Trade Facilitation Action Plan
TFG	Transitional Federal Government
TFIP	Trade Facilitation and Investment Promotion
TREATI	Trans-Regional EU-ASEAN Trade Initiative

UAE	United Arab Emirates
UKMTO	UK Maritime Trade Organisation
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFCCC	United National Framework Convention on Climate Change
US	United States
USSR	Union of Soviet Socialist Republics
WEOG	Western European and Others Group
WFP	World Food Programme
WTO	World Trade Organization

## Foreword

The Asia-Europe Meeting (ASEM) process was designed in 1996 to bring Asia and Europe closer together. In this, it has been most successful. With remarkable regularity, every two years, heads of state and government from the two regions have met, shared their views on world developments and cultivated their relationship.

This book is a testimony of the eighth summit of Asian and European leaders. It was held on 4-5 October 2010 in Brussels, in the Royal Palace, by the gracious courtesy of His Majesty King Albert II. It was, by all accounts, a good summit. European and Asian leaders engaged with each other in confidential sessions and on many informal occasions. They underscored how much the ASEM framework for dialogue and cooperation constitutes a common strategic asset for both regions.

As a matter of course, you will find in this book the results of the discussions, in particular, the chair statement and the declaration 'Towards more effective global economic governance'.

Yet you will also find much more. In this book, renowned academics and observers of Asia-Europe relations have teamed together to research the issues that the heads of state and government addressed. The authors describe the geopolitical background against which ASEM 8 took place. They provide essential insights into the discussions (at times delicate) that took place. All these contributions make for fascinating reading. They give a good picture of Asia-Europe convergences and disparities and help understand how they are dealt with through political dialogue.

In addition, you will find insider information on the preparation of the summit and on how ASEM 8 was run. You will further learn about the 'other summits', i.e. those held in parallel by members of parliament, business communities and civil society, as well as about the exposition 'A Passage to Asia' organised by BOZAR, Belgium's federal institution for cultural exhibitions, together with the Asian ASEM members. Finally, you will be introduced to the inner life of ASEM: its working methods, its new members and the challenges of continuing enlargement for the ASEM cooperation framework.

The book in your hands is a true account of an important event, one that brought Asians and Europeans once again closer to each other. Bel-

gium had the honour and the privilege to host it. We look back with a sense of fulfilment to these moments of mutual respect and appreciation, when leaders addressed the challenges of our changing world, with the overarching theme of the summit in their mind: 'greater well-being and more dignity for all citizens'.

I wish you a pleasant discovery of contemporary European-Asian affairs.

A handwritten signature in cursive script that reads "Steven Vanackere". The letters are fluid and connected, with a prominent initial 'S'.

*Steven Vanackere*

*Vice-prime Minister and Minister of Foreign Affairs*

# 1 The Asia-Europe Meeting: Contributing to a New Global Governance Architecture

*Sebastian Bersick and Paul van der Velde*

The Asia-Europe Meeting (ASEM) held its first summit in 1996 in Thailand's capital Bangkok. ASEM is an inter-regional process of cooperation and dialogue consisting of 48 members, namely the ten member states of the Association of Southeast Asian Nations (ASEAN), the 27 European Union (EU) member states, Australia, China, India, Japan, Mongolia, New Zealand, Pakistan, Russia and South Korea. In addition to these 46 countries, the European Commission and the ASEAN Secretariat also participate in their own right. The ASEM process, which has so far been loosely organised, addresses political and economic issues as well as security, education and culture.

In general, the parties involved credit the process with developing and strengthening EU-Asia relations. This is deemed necessary in order to increase ASEM's capacity to contribute to regional and inter-regional governance and to complement and even contribute to global governance. In the 15 years of its existence, the ASEM process has successfully facilitated the strengthening of ties between Asia and Europe at all levels of society. At the same time, the increasing economic and political importance of Asia – in particular the emerging economies such as China and India as well as regional organisations like ASEAN – is indicative of the paradigm shift and qualitative change that the end of systemic bipolarity has brought about in the international system.

Especially Asia's quest for regional solutions to indigenous and external threats to development demonstrates the new dynamics in international relations and the ineffectiveness of those global governance institutions and organisations that predate the end of the Cold War. It is evident that, though the cold war is long over and the international political economy has become ever more interdependent, its actors have yet to establish a global governance architecture that allows for common policy choices and their effective implementation. Against this structural deficiency of the international system, European and Asian state and non-state actors have long pointed to the potential of ASEM for enhancing problem-solving capacities in the political, economic, security, social and cultural realms.



## Previous volumes on ASEM

This book is a sequel to other books that we have edited in the past: *ASEM The Asia-Europe Meeting. A Window of Opportunity* (London, 1999); *Asian-European Perspectives: Developing the ASEM Process* (London, 2001); *The Eurasian Space: Far More Than Two Continents* (Singapore, 2004) and *Multiregionalism and Multilateralism: Asian-European Relations in a Global Context* (Amsterdam, 2006). In the 1999 volume, we took a look at the politicians' view of ASEM and the possibilities to improve mutual contact between Asia and Europe, addressing the challenges and problem areas in an effort to map out the probable future of ASEM. In the 2001 volume, contributors answered questions of a more practical nature or reflected on the ideas the Asia-Europe Vision Group (AEVG) had developed. How can the ASEM potential be realised? How can we create a usable ASEM vocabulary? How can we create a Eurasian research culture? The 2004 volume examined levels of engagement between Asia and Europe, throwing light on how the ASEM process has been directly or indirectly useful in enhancing ties between various Asian and European countries, and in contributing to the general development of new approaches to international cooperation. The focus of the 2006 volume was on the institutionalisation of intra-regional and inter-regional cooperation in the international system. The chapters analyse the EU's impact on the financial architecture in East Asia, the changing foreign policy between the EU and China in the area of trade and political economy, China's relations with Latin America and India's foreign policy stance on closer regional cooperation with both Asia and Europe.

The contributions to these books are written by Asian, European and American academics, diplomats, politicians, businessmen and journalists. They bear testimony to the fact that there is a growing demand for governance in international relations and to the corresponding importance of comprehensively linking Europe and Asia. The contributions to the present volume represent a selection from the main topics of the ASEM 8 summit in Brussels. The chapters focus on four policy areas that have been identified by ASEM members as pivotal to their task of contributing to the development of a new global governance architecture: the Brussels summit, financial and economic governance, security governance and the enlargement of ASEM.

## The Brussels summit

The Brussels summit section contains four articles. Three of them are written by Belgian diplomats who were actively involved in the framing and organisation of the summit. Their contributions and the accompa-

nying annexes of this book provide us with important insiders' perspectives and analysis of ASEM summitry, its inherent logic, limits and comparative advantages. The head of the ASEM unit of the Belgian Ministry of Foreign Affairs, Bertrand de Crombrugghe, brings us up to speed on the intricacies of organising an ASEM summit in his chapter on the Negotiation History and the Summit Texts. De Crombrugghe starts from the premise that leaders from Asia and Europe are keen to periodically confront their perceptions of world developments and assess the "state of the art of Asia-Europe relations".

The Belgian Prime Minister, Yves Leterme, suggested that the real added value of gatherings like the ASEM 8 Summit is in the influence they could exert on future multilateral meetings such as the G20. It was the stated ambition of the Belgian government as host of ASEM 8 to reach for higher levels of cooperation and to ensure the relevance of the ASEM process for the daily life of citizens. De Crombrugghe concludes with informed and detailed comments and reflections on the agreed summit texts, which make a welcome contribution to the development of a common ASEM vocabulary. The latter is seen by one of the founders of ASEM, former Singaporean Prime Minister Goh Chok Tong, as a precondition for the flowering of a Eurasian frame of mind.

Paul Lambert, deputy head of the above-mentioned ASEM unit, provides us in his chapter with a factual overview of both the Brussels summit and the events organised concomitantly. This does not preclude an insider's view regarding the substance and practical arrangements at the summit, of which the main event was of course the gathering of the heads of state and government at Brussels' Royal Palace. In parallel, an ASEM Parliamentary Forum, an ASEM People's Forum and an ASEM Business Forum were held, as has become the usual format of ASEM summits.

In addition to these quasi-institutionalised ASEM events, a Connecting Civil Societies Conference was held just before the beginning of the summit in Brussels. The conference was organised by the Europe-Asia Policy Forum (EUforAsia) which is subsidised by the European Commission. EUforAsia is a collaborative effort of the International Institute for Asian Studies (IIAS, Leiden and Amsterdam), the European Policy Centre (EPC, Brussels), the Asia-Europe Foundation (ASEF, Singapore), and the Singapore Institute for International Affairs (SIIA, Singapore).

Tom Vandenkendelaere, who also works at the Belgian Ministry of Foreign Affairs, focuses in his chapter, 'ASEM Working Methods Reform: An Identity Issue', not only on the working methods of ASEM but also on the discussions that took place in the run-up to and during the Brussels ASEM summit. Important stakes were at play. The issues focused on how to better organise ASEM and make practical use of the wide array of initiatives; how to ensure progress and concrete results

over time; how to address the long-standing perception that ASEM needs some kind of secretarial support; and how to ensure the improvement of the global visibility of ASEM.

This section of the book concludes with a chapter by Sebastian Bersick and Tanja Bauer entitled 'Perception and ASEM Visibility in the European Media'. The chapter presents the first results of a still ongoing international research project (named Asia in the Eyes of Europe) on the perceptions that Europeans hold of Asia and of ASEM affairs. It measures Europe's cognitive outlook in eight EU member states by using, *inter alia*, a media analysis of major print and TV media outlets in Austria, Belgium, Denmark, France, Germany, Italy, Romania and the United Kingdom (UK). The research project is the European part of the broader Asia-Europe Perception Project and complements the work that is being done in the framework of the 'EU in the Eyes of Asia' research project. A conclusion drawn from the research is that ASEM is mainly perceived as a political actor. Its visibility varies considerably between the sample set of countries and the European level, which was also analysed. Hardly any attention is given to ASEM affairs as such. If the ASEM 8 summit had not taken place, ASEM would have been largely invisible to the European public.

### **Financial and economic governance**

In his chapter 'IMF: The Road from Rescue to Reform', J. Thomas Lindblad sketches the historical background of the present search for reform at the International Monetary Fund (IMF). He stresses the lessons the IMF drew from the Asian financial crisis in the late 1990s. From it, the IMF learned that it had to account for its actions and mend its shortcomings. In the past decade a wide range of reform measures, accompanied by a great deal of soul-searching at the IMF headquarters, has been put into place. These measures, alongside new constructive IMF initiatives, were endorsed by the Asian and European leaders at ASEM 8 in Brussels.

Jörn-Carsten Gottwald focuses in his chapter 'In Search of a New Global Financial Architecture: China, the G20 and ASEM' on the role of China in reforming the global governance architecture. According to Gottwald, relations between Asia and Europe have matured enough for them to address the crucial issue of reforming the global financial architecture. Due to the emergence of China as one of the key actors in the policymaking framework, the playing field has changed considerably at the same time that China's involvement in ASEM has gained the support of its members. China is aware that the rule-making that is now going on will define the future global financial system. There are

still no comprehensive proposals on the table, but according to Gottwald it is safe to infer that, with China embedded in an inter-regional and global governance architecture, Beijing will have a strong influence on the development of the new global financial architecture.

In 'Banking Regulations at a Crossroads', Bram de Roos puts into perspective the statement in the ASEM 8 declaration about the resolve to strengthen the resilience and transparency of the global financial system and to reform the financial sector. He points to what went well during financial crises and draws lessons from them. De Roos specifically points to the Asian crisis of 1997, which spurred a wave of regulatory reform aimed at protecting the affected countries against future external shocks. These new regulations contributed to the most recent crisis having a less severe impact on Asian countries than other parts of the world. While European countries needed unprecedented bailouts to prop up their financial systems and are still coping with the fallout, many Asian countries were only affected by the crisis because of a decline in international trade. Using datasets on government intervention, economic growth, financial regulations and the stability of banks, De Roos explores new directions in the search for an improved regulatory framework. According to his analysis, ASEM is well positioned to facilitate an exchange of knowledge based on the experiences of its members in order to help develop guidelines that can contribute to a more stable financial system.

### **Security governance**

In 'Asia and Europe: Meeting Future Energy Security Challenges', Christopher M. Dent zooms in on one of the major global challenges of the 21<sup>st</sup> century: namely energy security, which is directly linked to other key challenges such as global poverty and climate change. Dent examines how these relationships have developed on the inter-regional scale, paying particular attention to the ASEM process. There is much to be gained from this cooperation. While Europe is the birthplace of both the Industrial Revolution and many important developments in energy infrastructure and technologies, it has also played a key role in shaping the world's energy systems and practices. Asia is having an increasingly profound impact on global energy security with its energy consumption levels having risen fivefold over the period 1970 to 2009.

It is estimated that Asia's share in the global energy consumption will rise to 40 percent by 2030. While competition over access to fuels is expected to intensify, there will be a concurrent realisation that more international cooperation is required due to the interdependent nature of many energy security predicaments. Energy security is also inextric-

ably linked to climate change and global environmental security. Dent refers to this as the energy-environment-security nexus. This all lends greater imperative to ASEM members to collaboratively foster ways to mitigate their structural dependences on carbon fuel-based energy systems.

Susanne Kamerling and Frans-Paul van der Putten reflect on the ASEM 8 chair statement, listing piracy at sea as one of the global focus issues of ASEM, in their contribution 'Enhancing Maritime Security Governance: European and Asian Naval Missions against Somali Piracy'. The statement specifically mentions piracy off the coast of Somalia as a current threat to the freedom and security of the seas. The Gulf of Aden and the western Indian Ocean – the waters where Somali pirates roam – are major thoroughfares of maritime trade between Europe and Asia. Since 2008, a large number of countries have contributed to naval missions against Somali piracy. The great majority of these countries is either European or Asian. The fact that so many nations are involved in addressing Somali piracy constitutes an important opportunity to strengthen security governance on maritime piracy. However, even when facing a common threat, it is not easy for such a large number of countries to work together when there is little experience in doing so. This is particularly true when the military assets of competing great powers are involved in a maritime region that is of major strategic importance.

Kamerling and Van der Putten address the question of how Asian and European countries that are active in naval operations against Somali piracy can contribute to more effective maritime security governance. They argue that the European Union, especially when supported by Asian governments, is in a strategic position to help overcome geopolitical impediments to greater international cooperation. In this, ASEM has an important role to play.

## **The enlargement of ASEM**

David Capie explores how Australia and New Zealand came to join ASEM in his chapter entitled 'Bridging Asia and Europe? Australia and New Zealand Membership in ASEM'. Since the 1970s, Australia has come to realise that its economic destiny lies more in the Asia-Pacific region and less in the Atlantic world. It has become a member of practically every regional and multilateral organisation in the Asian and Pacific theatre. When Kevin Rudd became prime minister, relations with Asia were further deepened while ties with Europe were rejuvenated. Rudd also pushed for Australian membership of the reinvented G20, the first meeting of which was discussed in detail at ASEM 7 (2008) in

Beijing. In order to play a key role in the international response to the global financial crisis, it was clear that Australia would have to become an ASEM member.

This had a direct impact on New Zealand which, similar to Australia, experienced an economic shift away from Europe and towards Asia as its main trading partner. This was also reflected in the development of closer political ties with Asia. New Zealand also began participating in many regional institutions, whether organised on an East Asian or Asia-Pacific basis. Membership or affiliation in all these organisations was already stretching the country's diplomatic resources, which was one of the reasons why New Zealand never actively lobbied for ASEM membership. Once Australia applied for membership, however, New Zealand was quick to follow because it would otherwise have become the only non-ASEM member of the East Asia Summit (EAS). This could have undermined Auckland's position as an active participant in the developing East Asian regional architecture.

It is clear that both countries perceive ASEM first and foremost as a forum for dialogue with Asian and European leaders. Nevertheless, Australia's interest in ASEM seems to be much greater than that of New Zealand, which is primarily focused on the political interactions around summits and ministerial meetings.

The accession of Australia, New Zealand and the Russian Federation eventually triggered the creation of a so-called temporary third category within ASEM alongside the Asian and European ASEM groups. In the closing chapter of this book 'ASEM's Future Enlargement: The Way Forward', Bertrand De Crombrugge analyses the history of enlargement and its future. He recounts how the accession of the three new ASEM members was brought about with cautious diplomatic manoeuvring. He also argues for the use of the term 'middle members' rather than 'third category' members. According to De Crombrugge, all new members should be given the opportunity to partake fully and on an equal basis with the other ASEM members, because this would give new potential to the ASEM agenda. The ASEM coordinators are tasked with stimulating and coordinating the ASEM agenda, but they do so with few means. A technical support team or an ASEM secretariat would be more effective in ensuring neutral and objective service to all ASEM members.

## **Conclusion**

The practical importance of international institutions that can contribute to regional, inter-regional and global governance is increasing. It comes as no surprise, then, that ASEM's agenda has continuously been

enlarged since the first summit in 1996 took place. The chapters on security, economic and financial governance as well as the insiders' views on the advantages and limitations of contemporary ASEM affairs clearly demonstrate the contribution of the ASEM process, and of ASEM 8 in particular, to the development of a new global governance architecture.

ASEM affairs are, however, not only driven by issues but also by the need to reform. The question of ASEM membership and enlargement played an important role during the ASEM 8 summit in Brussels and continues to do so. More than anything else, the accession of Russia poses a challenge to ASEM's inter-regional institutional and ideational structure. The accession of India and Pakistan in 2008 and possibly Bangladesh in 2012, as well as the continued deepening of European integration (via the Lisbon Treaty), has furthermore contributed to an inter-regional asymmetry. As a result, ASEM-Europe has increased its unity while ASEM-Asia has increased its diversity. How Asians and Europeans react to and manage these changes as well as the challenges for governance they pose in their respective regions and inter-regionally will largely determine the problem-solving capacity of ASEM and the further impact that ASEM has on the development of a new global governance architecture.

We would argue that it is important for ASEM to enhance its inclusive and open style. There is a risk that the needed bidirectional and reflexive approach will be undermined by a potential inability of ASEM to integrate all its participants as full and equal members on either the European or the Asian side. The recent ASEM enlargement demonstrates how ASEM affairs and the development of a regional architecture in Asia also impact on Europe's regional architecture. Decisions taken among ASEM members highlight the issue of who is Europe and who belongs to Europe and to what extent the EU represents Europe. ASEM clearly adds to the dynamics of regional architectures not only with respect to Asia but also in relation to Europe. This is a new development, as the accession of Russia to ASEM requires a decision on whether Russia belongs to the European or the Asian region of ASEM. Whether the creation of a temporary third category will help to mitigate the identity crisis that ASEM is in remains to be seen. Apart from Bangladesh, European countries such as Norway and Switzerland are also keen to join the ASEM process. Its enlargement is indicative of ASEM's increasing role as a constituent of the developing new global governance architecture.

**ASEM 8:  
The Brussels Summit**





## 2 ASEM 8 Summit Texts – The Negotiation History

*Bertrand de Crombrugge\**

Perhaps the most remarkable feature about ASEM is the punctual manner in which Asian and European leaders have met at the summit level. They have gathered with the regularity of a Swiss clock, every two years since 1996. There were neither institutional constraints nor compelling agenda requirements forcing them to do so. Nor can it be said that these meetings were always self-evident and easygoing. Quite the contrary in fact. What this demonstrates, then, is that leaders from Asia and Europe are keen to periodically confront their perceptions of world developments and to review the state of Asia-Europe relations. The regularity of ASEM summits, it can be said, is itself a statement.

The eighth of these encounters took place in Brussels on 4-5 October 2010. As host country, Belgium could rely on this political capital and set out to build further on it. And as before, there were circumstances driving the two regions closer to each other. As will be remembered, both Asia and Europe suffered huge losses in the summer of 2008 as a consequence of the meltdown of the global financial markets. In October of that year, as the crisis was still unfolding, the ASEM 7 summit gathered in Beijing. Against this dramatic background, European and Asian leaders had one of the richest and most interactive discussions in a long time. And they developed a heightened sense of common purpose, which found expression at the G20 summit on 15 November 2008 in Washington, then the first meeting of its kind. Belgian Prime Minister Yves Leterme, who delivered the closing speech in Beijing as upcoming summit host, captured the dominating spirit when he said that the ASEM summit “in this delicate period of turmoil in the world economy, contributed to a necessary understanding” and further stated that “the array of concrete proposals bodes well for a successful summit in Washington, and I am convinced that these proposals deserve to be taken on board.” (Closing speech of Yves Leterme, seventh ASEM summit, Beijing, 24-25 October 2008)

Thus, he expressed his belief that ASEM provided an outstanding opportunity for consultations among Europeans and Asians and that ASEM’s real added value is in the influence it could exert on major

multilateral gatherings. By doing so, he reflected a widespread opinion that this was ASEM at its best. Confident that Belgium had inherited an ASEM that was in very good health, Leterme then went on to express the ambition he coveted for ASEM 8 as follows: “There is just one world, because there is just one human race. Fundamentally, what is at stake is the future of that one world, the future of that one human family we all belong to. We share the same dream: greater well-being and more dignity for all our citizens. We might start thinking already of ways and means of bringing our cooperation to a higher level, we should dare to broaden our scope of exchanges into new territories, possibly even looking at organizational and procedural opportunities not only to structure our interactions in a more systematic way, but also to bring the whole ASEM process closer to our peoples.” (Closing speech of Leterme, seventh ASEM summit, Beijing, 24-25 October 2008)

With these words, he not only coined the main theme to inspire ASEM 8 – greater well-being and more dignity for all citizens – he also expressed his determination to pursue the qualitative leap initiated in Beijing and to reach for a higher level of cooperation. At the same time, he voiced the ambition to ensure that the ASEM process would be relevant for the daily life of its citizens. These elements would naturally inspire the preparation process of the Brussels summit.

### **The initial preparations**

Preparations for ASEM 8 started in earnest at the ASEM meeting of foreign ministers in Hanoi in May 2009. On that occasion, Belgium pledged to work closely with all delegations to develop a substantive content for the ASEM 8 summit that would meet the expectations of all ASEM members. Indeed, the kind of interaction and engagement witnessed in Beijing could only be obtained again if the expectations of summit participants were first and foremost put at the centre of the prospective summit agenda. Developing a sense of common ownership on the part of ASEM members was considered paramount. ASEM 8 would have to demonstrate that it genuinely was the summit of all ASEM participants.

This was the mandate of the Belgian ASEM 8 task force, which was set up in Brussels in June 2009 within the Belgian Federal Public Service for Foreign Affairs in order to coordinate the summit preparations. It underpinned the words with action and embarked on a programme of consultations that would involve exploratory talks in Brussels as well as abroad. European partners were consulted regularly through the coordination mechanisms existing in the European Union framework and through occasional visits to capitals. Asian partners were consulted

through their representatives in Brussels and through a very exhaustive schedule of country visits conducted between July 2009 and April 2010.

The consultation process was further supported by the circulation of papers. Papers help to stabilise ideas and can conveniently trigger counterproposals and alternative suggestions. Thus, they help to move the thinking forward. The ASEM partners engaged very actively in this process. Through their written contributions, it proved possible to gradually identify the issues at hand, to circumscribe them with reasonable certainty and to develop an agenda for the summit that would cover the concerns that exist in ASEM capitals.

The first such paper was titled ‘non-paper’ and was issued on 15 October 2009 (see Annex 4). True to the overarching theme announced by Leterme in Beijing and to initial signals received from ASEM partners, it proposed to examine how to promote a development path that would balance out quantitative and qualitative factors of wellbeing. It further proposed to address three main challenges: the international financial crisis, the Millennium Development Goals and the threat of climate change. Energy and a range of global issues requiring cross-border cooperation were mentioned as well. Regional issues such as Myanmar, the Korean Peninsula, Iran and the Horn of Africa were identified as probable points of discussion. As is customary in preparations for ASEM summits, attention was also drawn to the variety of initiatives designed to develop further people-to-people contacts.

One of the specific proposals figuring in the non-paper was to re-energise trade and investment relations between the two regions. Several Asian and European partners indeed felt that this would help their economies grow their way out of the crisis. They recalled that in the early years, a trade facilitation action plan and an investment promotion action plan had been developed within the ASEM context. They also recalled that no meeting of the ASEM economic ministers had taken place since 2005.

Building on the many comments received on the non-paper, a follow-up paper was distributed on 8 January 2010. It was labelled ‘concept paper’ because, in addition to operating choices among themes and subjects, it attempted to organise them in a coherent structure (see Annex 5). It put forward two main themes. One was more effective world governance structures, which meant to address the economic and financial crisis in all its immediate aspects. The other was advancing on the path of sustainable development, which brought under a single heading the range of longer-term development issues raised by ASEM partners. The three dimensions of sustainable development were recognisable in the proposed structure. The economic development section covered trade, investments, innovation, transportation and food security issues. The social development section covered labour standards, social dialo-

gue, inclusive labour markets, social security systems and ageing societies. The environmental protection section covered climate change, energy issues, other environmental issues, civil society involvement, changing production and consumption patterns and green growth strategies.

Separately and as a third theme, the concept paper proposed to address a single global issue that threatens the common interest of Europeans and Asians: fighting piracy at sea in order to secure maritime trade routes. This was a rather novel field of work for ASEM, one that would require extensive preparations. A fourth chapter was reserved for regional issues but, at the request of some partners, explicit references to the countries figuring in the non-paper had been dropped. The people-to-people chapter focused on one main message: the encouragement of higher education exchanges between Asia and Europe, involving academics, researchers and students.

The concept paper was presented at the ASEM senior officials' meeting of 25 January 2010 in Madrid. It was well received and accepted as a basis for further work. A period for written contributions and comments was opened that ran to the end of March. ASEM partners overall confirmed the two main themes put forward for the summit. While they supported the idea of addressing piracy at sea, they asked for the inclusion of a number of additional global issues such as the fight against terrorism and organised crime, disaster prevention and relief, promotion of human security, and the non-proliferation of weapons of mass destruction. They also expressed a view on what the follow-up preparatory document should be. They requested an annotated agenda clarifying how leaders would address the various themes and subjects.

Thus, a third document titled 'annotated agenda' was issued on 15 April 2010. It partitioned the various agenda items over the working sessions that would structure the work of the summit. At the same time, it refined the orientations and indicated the level of ambition that could be pursued on each of them. In addition, a couple of novelties were introduced.

One was the suggestion that leaders devote specific time to discuss the recommendations from the parallel dialogues, which parliamentarians, business people and non-governmental organisations were scheduled to hold on the margins of ASEM 8. There were several reasons for this. Leterme had said in Beijing that he wished to "bring the whole ASEM process closer to our people". Likewise, the organisers and stakeholders of these parallel dialogues took a keen interest in ASEM 8 and underscored the relevance of the leaders' meeting in the pursuit of their objectives. Also, the founding text of ASEM required it to "go beyond governments in order to promote dialogue and cooperation between business/private sectors of the two regions and, no less importantly, between the peoples of the two regions" (Asia-Europe Cooperation Frame-

work, § 8 fine, adopted at the third ASEM summit, Seoul, 20-21 October 2000, to be referred to as AECF 2000). Therefore, it appeared only logical to propose a step that would have the clear effect of further encouraging and stimulating the exchanges in the parallel dialogues.

Another novelty was the suggestion that leaders take action on developing the working methods of ASEM. ASEM cooperation indeed faced efficiency challenges. In the past few years, it had expanded from 26 to 45 members, and three more – the Russian Federation, Australia and New-Zealand – were set to join (see Vandenkendelaere in this volume). Exploratory discussions had been held on this issue within a group of Asian and European representatives, experts and academics. This occurred during the ASEM outlook seminar which ASEF (the ASEM Foundation) makes a tradition of organising in advance of each summit. It took place in Brussels on 14-15 April 2010 and had as its main theme the working methods of an enlarged ASEM.

The annotated agenda was discussed at the ASEM senior officials' meeting in Phnom Penh on 5-6 May 2010. It was well received but also attracted a number of useful remarks. On form, the main recommendation was to cluster the subjects and issues further so as to have only as many themes as there would be sessions during the summit itself, i.e. four actual sessions, a working dinner and a working lunch. On substance, the senior officials endorsed the range of issues with a few amendments. The convergence on the topics was remarkable. The signal was given that the development of language reflecting the common views of Asians and Europeans could now start.

By way of outcome of the Phnom Penh meeting, a revised annotated agenda was issued on 2 June 2010 (see Annex 6). The items relating to the parallel dialogues, the people-to-people contacts, ASEM's visibility and the future of ASEM were all brought together under one general heading. Furthermore, as was agreed in Phnom Penh, the issue of future ASEM enlargements (see chapter 12), on which the ASEM foreign ministers had requested further work at their meeting in Hanoi in May 2009, was dropped from the agenda. It was deemed not ready for consideration at the summit level. The revised annotated agenda came to be recognised as reflecting the consensus view. From the moment of its issuance, four months ahead of the ASEM 8 summit, it would conveniently guide and orient all delegations in their preparations.

## **Developing a common language**

In developing the substance of the summit, i.e. the language reflecting the common views of Asians and Europeans on the agenda issues, the Belgian host still faced a number of challenges. First, the structure of

the texts had to be defined. By tradition, ASEM summits agree a chair statement and possibly one or two separate declarations. There is a slight difference in status between the two kinds of documents. A declaration normally requires the formal approval of all ASEM partners (“We, the leaders, declare...”). A chair statement, on the other hand, is traditionally issued under the responsibility of the chair (“Leaders said...”). Still, as other summit hosts before it, Belgium took the stance that the chair would not want to make statements that colleague leaders would not approve. Therefore, in view of the Brussels summit and for all practical purposes, it decided that all documents would be negotiated together in a single package. One more reason to act in this manner was that ASEM members had not yet given an indication of how the summit texts should be structured, whether and how many declarations should be envisaged and how the themes and subjects would be apportioned among them.

Second, most of the issues identified in the annotated agenda were ‘living subjects’. The economic and financial crisis was receiving constant attention from the G20, the international financial institutions, regional bodies and other negotiation fora. Everyday, new responses emerged that had to be further developed and coordinated. The EU itself was grappling with the sovereign debt crisis of a number of its members and was confronted with the instability of the euro currency itself. These issues were likely to have a major impact on the key messages, which leaders would want the October summit to issue. Hence, draft summit language could reasonably be proposed only after the Communiqué of the Toronto G20 became available, i.e. only after 29 June 2010. A similar constraint applied with regard to the sensitive regional issues. They were too prone to last-minute developments, and wrong timing could play havoc. Hence, the development and negotiation of appropriate political messages on regional issues were deliberately postponed to mid-September, closer to the summit date.

A third challenge consisted of preparing language thoroughly and transparently on issues sensed as being either complex or novel. One such complex issue was the chapter on sustainable development. It covered a wide array of themes such as trade, investments, innovation, technology transfers, food security, social cohesion, climate change, energy, biodiversity, the green economy and the like. At the same time, many of these subjects were being negotiated in already scheduled multilateral negotiations such as the Doha Development Agenda, the Millennium Development Goals (UN High Level Plenary, September 2010, New York) and the Climate Conference (UNFCCC, December 2010, Cancun). In addition, particular account had to be taken of discussions occurring among Asian and European representatives on so-

cial issues on the margin of the ILO International Labour Conference in mid-June 2010 in Geneva.

Drafting suggestions relating to the above subjects was bound to test the dividing lines among ASEM members. Hence, there was a need to handle these issues carefully and, at a minimum, to engage at an early stage with the delegations. Such an occasion presented itself during the ASEM conference on sustainable development held at the initiative of the European Commission at the end of May 2010 in Yogyakarta, Indonesia. Many aspects of sustainable development were explored, including the role of assistance in the context of a rapidly evolving Asian continent. Still, an event more particularly geared towards the preparation of the ASEM summit and its wide-ranging agenda was required. For this reason, an advance intergovernmental negotiation was organised in Brussels on 23-24 June 2010. It brought together the necessary expertise from the various capitals and greatly helped to identify the lines of convergence that leaders would eventually endorse in their summit statement.

An issue requiring specific attention because of its novelty was piracy at sea. Two steps were devised in order to gradually develop the common view of the ASEM community. An exploratory seminar was organised in Brussels on 4-5 May 2010, gathering maritime experts from a representative number of European and Asian members. It produced a chair's summary which conveniently and accurately documented the shared security interests. Thereafter, also in Brussels on 24-25 June 2010 (back to back with the sustainable development event), the seminar results were subjected to an advance intergovernmental negotiation. More political in nature, this event resulted in four pages of agreed text, which reflected the essential messages that ASEM members appeared ready to submit to their leaders. Key elements were commitments to effectively prosecute pirates, continue assistance to regional initiatives, provide more support for naval efforts, cooperate with the private sector and develop a more sustainable long-term strategy.

### **Draft summit texts**

All of the above contributions to common Asian and European messages were timed to flow in by the end of June 2010. Thus, a first set of proposals for summit texts could be tabled on 8 July 2010. This was three months ahead of the summit, allowing reasonable time for consideration by ASEM partners. The proposals consisted of a main base text with two annexes. The main base text contained a chapter on more effective global and financial governance, paragraphs on the array of global issues retained in the annotated agenda and a final chapter on



people-to-people contacts and on other issues clustered with it. The first annex contained the draft issued from the negotiation session on sustainable development. The other annex contained the draft issued from the negotiation session on piracy at sea. As explained, the language relating to regional issues was reserved for later. Also, the structure of the summit texts was left open for decision: annexes could become separate declarations, stay annexes, move back into the main base text or vice versa.

The negotiation on these drafts started in earnest at the ASEM senior officials' meeting of 14-15 July 2010 in Brussels. During those two days, the texts were reviewed paragraph by paragraph. Partners were able to share their comments at length on the substance of the proposals and in the true spirit of dialogue. The two days were most instructive. They allowed delegations to hear each other's arguments, and they provided essential indications to the summit host on where divergences arose and how they could possibly be overcome. The drafting process then continued over the summer by written procedure. New versions were distributed on 16 August and on 13 September 2010, each time taking into account the written comments collected in between. On 27 September 2010, a week before the actual summit, a last version was issued. The coordinators' meeting held in Seoul on 6-7 September 2010 constituted an important moment in the drafting process. It brought together Cambodia and South Korea (the Asian coordinators) and the European Commission and Belgium (the European coordinators). It proceeded through the draft text (the 17 August version) and, with the benefit of both the European and Asian perspectives, examined and discussed in detail the written amendments received up to then. This was a most useful exercise. It allowed the following version (the 13 September version) to approximate more closely the expectations of ASEM partners, since it had taken into account the contributions from qualified representatives of both sides. In addition, the coordinators' meeting had been held in 'open format', meaning that all ASEM members were in attendance in the form of observers. They could follow the discussion and hence understand the reasons for the formulations being incorporated in the ensuing version of the summit texts.

The July senior officials' meeting in Brussels had already provided indications, but the coordinators' meeting in Seoul eventually agreed on it: the summit would produce a separate declaration titled 'Towards more effective global economic governance' (the first topic on the agenda). All other subjects would be brought under a single chair statement. A final ASEM senior officials' meeting took place in Brussels on 3 October 2010, on the eve of the ASEM summit itself. It reviewed once more the summit texts (the 27 September version). Also, it finally approved the language on the time-sensitive regional issues comprising Iran,

Afghanistan, Myanmar and the Korean Peninsula. Over the summer, the Middle East peace process was added as a fifth item. On these, the summit host had circulated written proposals around mid-September. Some were submitted to individual partners first and then discussed in restricted circles in order to facilitate the gradual building of a consensus. It is to the credit of the ASEM delegations that on all details of the summit texts, including the regional issues, satisfactory language was found by 8 pm of the same day.

## Results

The following two sections describe in more detail the results of the negotiations, including, where applicable, the sticking points encountered when finalising the documents. The paragraph numbers refer to the numbers used in the publicised version of the summit texts (see Annex 1 and 2).

### *Declaration ‘Towards more effective global economic governance’*

The key messages of this declaration had already been identified in July 2010, but the exact sequence and formulations were stabilised only at the last minute. The title purposely avoids the word ‘crisis’. Instead, it emphasises the positive perspective of improving governance. It also talks about economic rather than financial governance. This reflects the view that the financial crisis had become an economic one and that the response had to be all-encompassing.

§ 1 This paragraph has a ‘chapeau’ function. Still, it expresses Europe’s and Asia’s “resolve to give new momentum to their cooperation”. It also announces the subjects, which are discussed in the following paragraphs.

§ 2 Leaders commit to strong sustainable and balanced growth, to inclusive economies and to structural adjustment. There was a shared sense that the weaknesses (read: imbalances) of the past were the root causes of the crisis of 2008 and that they should be avoided in the future. But it proved quite difficult to list these weaknesses. Besides excessive public deficits, non-sustainable debts and development gaps, global imbalances were also initially mentioned. The words ‘global imbalances’, however, caused difficulty. They were taken to mean structural trade deficits and surpluses rather than capital accounts or savings rate disparities. Eventually, the word ‘imbalance’ was moved to the last sentence among the factors to take account of in policy actions. Other important messages include the ideas of ‘moving together’, ‘taking spill over effects of one’s actions into account’ and ‘sharing responsibility’.

§ 3 Leaders here commit to supporting the ongoing recovery and restoring confidence, but there is a clear recognition of the different situations in which Asia and Europe find themselves. Asia is commended for its strong economic growth and for acting against inflation. The dilemma facing the Europeans of pursuing fiscal consolidation without endangering growth is duly explained, also because of the impact of European policies on world markets, and hence on confidence. The final sentence, arguing that structural adjustment would eventually ease fiscal consolidation, is also important.

§ 4 This section is about building resilience into the world system by making available borrowing facilities – or, in other words, financial safety nets – an idea figuring in the Toronto G20 communiqué. Asians know the worth of this from their experience with the 1997-1998 financial crisis. More recently, with investors shunning Greek sovereign debt, the euro zone was confronted with similar difficulties. Both regions have set up their own mechanisms in response. With this background in mind, it made sense to balance out multilateral (IMF) and regional funding solutions. However, a number of ASEM partners were averse to promoting financial safety nets so clearly. They would have rather insisted on the fundamental requirement of sound macro-economic and financial policies. Thus, a balance had to be struck between preventive discipline and remedial facilities.

§ 5 The kind and purpose of new financial regulations are described in some detail at the request of Asian as well as European partners. Clearly, the agenda of the G20 was still transpiring. There is an oblique reference to “non-cooperative jurisdictions” requested by a number of European countries. The European side also wished to mention the possibility of taxes and levies on banking institutions as a way of ensuring fair burden-sharing for financial meltdowns and to preserve the global ‘level playing field’. The Asian side rejected this, leaving only a very general sentence stating that “a number of possible policy approaches regarding financial sector contributions” exist.

§ 6-9 This section concerns the IMF and the World Bank. The IMF’s role in overall surveillance is reaffirmed (§6). A key passage is the promise of quota reform in the IMF, about which the G20 of Pittsburgh made a promise, to be fulfilled by the G20 in Seoul of early November 2010. It eventually was. About the other governance issues, there was a discussion on whether they needed to be settled in the same time frame. The words ‘in parallel’ provided the solution.

§ 10 This paragraph is specifically dedicated to developing countries with an approach that is more trade than aid. It was introduced in the context of ideas emerging among G20 countries to intensify outreach activities and to elaborate a development agenda with multi-year action plans.

§ 11 This section begins with the Doha Round. A reminder of the objective of concluding by the end of 2010 did not make it into the declaration, as preference was given to language closer to real prospects. Also on the other idea – namely regional integration – the language remains cautious, reflecting the fact that each region wishes to move at its own pace.

§ 12 The declaration concludes with a promise to cooperate with the G20. At the SOM in Brussels, there was a fierce debate on whether to mention the G20 at all in this declaration. Some ASEM members argued that since they were not members of the G20, all references should be deleted. However, since 12 ASEM members are part of the G20, totally ignoring the new coordination mechanism would make the declaration irrelevant. The compromise consisted in expressing a readiness to cooperate with the G20 but with a reminder that actual decision-making must remain within the appropriate multilateral institutions.

### *Chair statement*

In true ASEM tradition, the chair statement covers the wide variety of subjects in the order in which they figure on the prepared agenda. Since the topic relating to global economic governance has become the object of a separate declaration, the first theme of substance is the one relating to sustainable development.

### *Opening*

This section contains formal information but departs in some respects from traditional language.

§ 1 The number of European and Asian members attending is not detailed. Only a global figure is given. This covers up the undecided issue on where the three newcomers – Russia, Australia and New Zealand – presently classified as ‘third category’, actually belong.

§ 2 Conforming with the Lisbon Treaty, the chair of the summit in Europe is no longer the rotating presidency of the EU but the President of the European Council. Initially, the Asian side had reservations about this.

§ 3 ASEM rules prescribe that heads of state/government admit new members by consensus. The language adopted makes explicit that this consensus existed. Also, in order to display inclusiveness, it was decided against a formal agenda point relating to accession that would have delayed the entrance of the new members into the summit room.

§ 4 This reflects the list of ministerial meetings that took place since the Beijing summit in 2008. At their September Seoul meeting, coordinators agreed not to mention in the body of the chair statement any

initiative below the ministerial level. There are too many of them, and they would have overburdened the already lengthy text.

*Advance on the path of sustainable development*

This entire section is the one most akin to the overarching theme of the summit: ‘more prosperity and more dignity for all citizens or, in short, quality of life’. It is built on the familiar triptych through which sustainable development is pursued, with attention given to equality in length between the three subsections.

§§ 7-9 The interdependence of the three dimensions is recalled. Major events such as the MDG High Level Plenary and the Rio+20 Conference are mentioned up front. They frame the subject and lay out the wider perspective.

Economic development

§§ 10-14 In recent years, ASEM has hardly dealt with economic issues in comparison with the early days when considerable work was devoted to trade facilitation and investment promotion. These paragraphs represent an attempt to rebalance the agenda. The reference to the WTO Doha Development Agenda was meant to constitute a firm message, but it had to remain realistic (§11).

As a consequence, the focus shifted to the more upstream and maybe more political issue of how trade and investments flows could better contribute to the objective of sustainable development (§ 13). In this debate, the availability of technologies has always been ‘front and centre’. Taking the view that technologies travel through trade and investments, the idea here is to develop initiatives aimed at exploring how trade and investment barriers and market-distorting mechanisms hamper the deployment of new environmentally friendly, resource-efficient, clean products and technologies. In the same context, it was suggested that possible new incentives that may widen their use be examined. The initiative is expected to create a better environment for the spreading of green products and technologies to everyone’s benefit, constituting a sort of contemporary, green version of the trade facilitation and investment promotion efforts of the early years of ASEM. The necessity of involving business communities appeared evident to everyone, but ASEM members still have to agree on how.

The possible resumption of the meetings of the ministers for economy and trade written into the text also has a political meaning. It would heal the acrimony over the failure of the last such meeting which was scheduled in 2005 but was suspended because of a dispute about participation.

§§ 15-18 address different sectors of cooperation. The financial markets of Europe and Asia could be more integrated, as was emphasised by

the Business Forum taking place the day before the summit. The transportation sector should benefit from the accession of Russia to ASEM, which opens promising perspectives for the sector. Information and communication technologies are recognised as drivers of sustainable development. The language on connectivity reflects an important concept currently being developed in Southeast Asia under the leadership of ASEAN.

§ 19 was one of the more disputed passages. The food price hikes of 2007-2008 and again in 2010 made food security a compelling issue. However, opinions diverged widely on whether subsidies and agricultural market protection played a beneficial or negative role. The words ‘responsible investment’ are meant to implicitly condemn investments in bio-fuels. Some considered them a factor inflating food prices. Others see bio-fuels as a promising export item.

§ 20 reflects specific regional initiatives where European and Asian partners have reached a high degree of ‘in the field’ cooperation.

#### Social cohesion

The title is derived from the Beijing Statement on Sustainable Development.

§§ 21-23 reminds all ASEM members of fundamental ILO standards. There was vigilance not to move beyond actual commitments.

§ 24 is about the sensitive subject of migration. The discussion revolved around ‘mobility partnerships in order to develop shared benefits of legal migration among ASEM partners’. In the end, ASEM members settled for more modest language about sharing best practices and exploring comprehensive approaches.

§§ 25-26 The iteration on the usefulness of social dialogue was not in dispute. Nor was corporate responsibility, which oddly enough seemed to be understood as an issue of relevance to Europe primarily, despite the geographically neutral language.

§ 27 Two concepts clashed in this paragraph: affordable discretionary social safety nets versus more expensive, entitlement-based social security systems. The Social Protection Floor concept developed in the framework of the UN was perceived as more akin to the latter and therefore was only ‘taken note of with interest’. The main supporting argument was that it would fight persistent poverty more effectively, but the unwarranted cost of the so far poorly defined concept appeared a major obstacle to its endorsement.

§§ 28-30 The inclusiveness of labour markets is to be promoted through education and training. The more structural message is that workers should not prepare themselves for a specific job but for shifting professional opportunities, as labour markets evolve fast. This proved to be the view in Europe as much as in Asia.

§§ 29 and 30 contain a balance in that they describe the very different challenges of young versus ageing societies.

§ 31 The labour ministerial scheduled for 13-14 December 2010 took place in the meanwhile. At the Brussels summit, ASEM 8 members were keen to entrust it with a comprehensive mandate, including a dialogue among social partners and the involvement of civil society.

#### Environmental protection

§§ 32-34 These sections are about climate change and were only settled on at the very end. The Cancun conference was only two months away. ASEM partners kept on trying to skew it in the direction of a simple prorogation of the Kyoto Protocol system with duties only for Annex I countries, or on the contrary in the direction of laying everything flat and introducing new obligations including for developing countries. Who should cut emissions, as well as what commitments could be expected from developing countries in exchange for mitigation and adaptation financing from developed countries were also long in dispute.

§§ 35-36 These paragraphs address energy security, both in the context of climate change and in the context of market and transit policies. There was little dispute about them.

§ 37 This section identifies the proper management of forest and water resources as priorities. China's initiative of a water development centre aroused considerable interest, as did the forest-related action plan of the EU.

§ 38 This displays a good level of ambition for the other major environment-related event, the October 2010 Nagoya Conference on biodiversity. As was known at the time of writing, the conference concluded successfully.

§§ 39-40 The emphasis here is on a theme that is gaining attention: the ethics of production and consumption behaviour, where the involvement of people is paramount. To the concept of 'green growth', others opposed the UN terminology of 'green economy', the latter expressing some apprehension about moving in overdrive into new technologies. The two are reconciled in this paragraph, which also has operational language about the sharing of technologies.

#### The future of Asia-Europe sustainable development cooperation

§§ 41-43 The language stems from the conclusions of the Yogyakarta sustainable development conference of May 2010. It is about moving beyond aid: breaking away from the strictly intergovernmental framework, exploiting new forms of triangular cooperation and increasing the leverage of financial means by blending aid and loans, which is possible in a dynamic region such as Asia. In § 43, ownership and re-

sponsibility on the part of both donor and recipient countries are stressed. Care had to be taken that the text would not be biased against recipient countries.

#### *Global issues in focus*

This section groups a number of issues that were promoted by one or more ASEM members. There is no suggestion of any connection linking them. The subjects also are meant to be geographically neutral.

#### § 44-49 Piracy at sea

This theme united Europe and Asia: goods traded between them travel by necessity over seas and often cross the Gulf of Aden, the Straits of Malacca and the South China Sea where pirates are active. Yet there was concern about international encroachment on national security interests. Hence, an early emphasis on the preservation of national sovereignty needed to be introduced. Another issue concerned the denunciation of the US Executive Order sanctioning companies that pay ransoms to pirates. Some ASEM members insisted on clear language, but others were fearful of encouraging the payment of ransoms. The sentence in § 46 about the unacceptability of unilateral measures hampering efforts to free hostages is a compromise.

The suggestion of a long-term strategy in § 49 was uncertain right up to the end. There was a reluctance to engage on this, even though it is quite clear that the present military engagement is not sustainable over time. There was also reluctance to point so clearly to the need to address the political instability in Somalia. The fact that these two elements nevertheless figure in the final text is a revealing sign of the orientation that the ASEM community is taking.

#### § 50-51 Fighting terrorism and organised crime

The main issue in § 50 was how to reflect the requirement to respect human rights obligations while fighting terrorism. Under organised crime (§ 51), the trafficking of persons was handled more as an irregular migration issue than as an issue about the protection of human beings.

#### § 52-53 Disaster prevention and disaster relief

Major floods in several ASEM member countries caused an expansion of this subsection. However, ASEM traditions discourage the mentioning of a particular country, even when it is about assistance. Therefore, no specific countries are mentioned.

#### § 54 Human security

This theme was efficiently promoted by one ASEM member.



### § 55-56 Human rights and democracy

One issue was how to reflect the commitment to respect human rights: as a legal obligation confined to the language of the UN Charter and to a strict interpretation of international law or in ‘mind and spirit’. Another issue was how to word the shared desire to establish cooperation with ASEAN’s new Intergovernmental Commission on Human Rights while still observing the strict independence and specificities of the respective institutions.

### § 57 Dialogue of cultures and civilisations

The original language for this paragraph was placed in the ‘people-to-people’ section. The argument was accepted that this type of dialogue is foremost a government affair.

### § 58 Reform of the UN system

A number of ASEM members pursued this issue vigorously. The focus was on the reform of the UN Security Council, which for some should outpace the rest and for others should be explicitly about ‘expansion’ of membership. For still others, there was no urgency. The final text was simple and neutral.

The issue of a more appropriate speaking right for the EU in the UN General Assembly was not raised on this occasion, as the ASEM plenary was not considered a suitable forum to address it.

### § 59-64 Non-proliferation and disarmament

These paragraphs grew in length over time as they attracted ever more controversy. ASEM comprises members who are not party to the non-proliferation treaty while it also comprises members who press for universal respect of its provisions as party to the treaty. Even among parties to the treaty there were tensions: some wished to highlight specifically those treaty provisions that commit nuclear states to relinquish nuclear weapons. The paragraph on the US-Russia New Start Agreement triggered the suggestion of ‘balancing’ drives such as a call for cutting strategic arms even further.

### *Regional issues*

§ 65 Cooperation within each region and between Europe and Asia is the subject of this paragraph. It was simple enough to mutually encourage each other’s integration processes. The challenge was to reflect this in the text processes, which are different in nature and proceed at different speeds, and to do so without any hint of value judgment.

§ 66 ASEM members generally recognise the pioneering role of ASEAN. European, Asian and new members all agreed to emphasise

the centrality of ASEAN in regional cooperation in Asia. The ASEAN Regional Forum very concretely testifies to this, and so does the summit text.

§ 67 The entry into force of the Third Protocol amending the Treaty on Amity and Cooperation in South-East Asia would allow the EU as a regional organisation to accede to it. A commitment to work proactively towards this result was agreed, but this was only one of three issues that were discussed in this context. The two others concerned the desire of the EU to take part in the East Asia Summit and the wish of the European Commission to become an observer in the Arctic Council. These two were not mature at the time of finalisation.

§ 68 On the subject of Iran, the discussion revolved around the ‘sanctions or negotiations’ approach.

§ 69 On the subject of Afghanistan, there was overall support for the pacification and reconstruction effort, but several ASEM members wished their specific area of concern to be reflected in the text.

§ 70-72 On the subject of the Middle East peace process, the level of detail of the final text reflects the strong engagement of ASEM members on the issue. Israel’s settlement policy and the situation in Gaza were argued about in great length.

§ 73 On the subject of Myanmar, ASEM members eventually found common language qualifying the process leading to the elections of 7 November 2010. A balance had to be found between the hard ‘denunciation’ approach of some and the soft ‘encouragement’ approach of others.

§ 74 On the subject of the Korean Peninsula, the consequences of the 2009 nuclear explosion and missile firings as well as the 2010 sinking of the Cheonan vessel lingered on. Issues were the qualification of the act causing the loss of the Cheonan, the reiteration of North Korea’s existing obligations under the 2005 Joint Statement and the perspective of resuming Six Party Talks.

#### *People-to-people, visibility and future of ASEM*

§§ 75-82 People-to-people contacts were from the very beginning of ASEM recognised as important for the future of the relationship. They are part of the patient approach to building a relationship of trust and confidence over time. The text recognises ongoing initiatives and calls for more. It was from the outset very consensual. An original feature already commented upon above figures in § 76: for the first time, leaders formally acknowledge recommendations and resolutions produced by the parallel parliamentary, business, people and civil society dialogues. They task senior officials with taking them into consideration and, where relevant, suggesting appropriate action.

Another paragraph (§ 82) concerns ASEF, the Foundation of ASEM. To recall one's own obligation of timely financial contribution felt strange to some ASEM members.

§ 83 Visibility is a recurrent issue. An encouragement to hold on to one single logo is a small step to take, but potentially a useful one.

§ 84 ASEM now has 48 members but still operates via largely unchartered procedures. The ties among members are becoming dangerously loose, and there is an increasing risk that ASEM will lose track of the activities conducted under its label. As mentioned earlier, an outlook seminar was devoted specifically to the subject in April 2010. As a consequence, a majority of ASEM members have become convinced that something had to be done. Yet the fear of creeping institutionalisation is equally strong. The result is a simple but unambiguous request for senior officials to come up with proposals for adoption at the next meeting of the foreign ministers in 2011. One proposal, namely to have the next summit host become part of the coordination mechanism, was agreed.

## Conclusion

The negotiation history of ASEM 8 testifies to a smooth and orderly process. This process started well on time, i.e. a year before the scheduled date of the summit. It gave due consideration to the result of the preceding summit. It took care to collect first the views and opinions of the ASEM members. And it showed throughout that the summit belonged to them collectively and not to any one of the members in particular, least of all the summit host. This cultivated a sense of ownership that became evident in the closing negotiations on the eve of ASEM 8. There was enough in the final proposals for each participant to agree on the ultimate contributions that eventually assured the overall successful outcome.

In fact, the preparations of the summit followed a number of useful principles.

One was the adoption of a transparent method. The rules and practices of ASEM were rigorously followed, in particular the requirement of a consensus-based framework associating participants of equal sovereignty and importance. Each member had been individually consulted and had equal opportunity to participate. Every information, proposal, suggestion had been shared with every participant at the same time and in advance of decision-making moments. The coordinators had been duly respected in their roles. Transparency had at all times been ensured, not the least through the practice of debriefings and of 'open coordinators' meetings.

Another principle was predictability. Care was taken to clarify in advance how the host of the summit would proceed, what the next step would be or what deadlines would be observed. Even more, before these were defined, an opportunity was created for ASEM members to comment on and steer the procedure. This ensured that the steps taken were perceived as resulting from a concerted approach defined collectively rather than as unilateral decisions taken by the summit host.

A third important principle related to the even-handed consideration of all suggestions, amendments and proposals made by partners. When drafting papers and draft texts, a sincere and genuine effort was made to integrate all the priorities and sensitivities as expressed by each and every partner. When the judgement made at the moment of drafting proved to be imperfect, it was corrected in the following version. This was the advantage of the layered approach. Moving from a non-paper to an annotated agenda and then from an initial draft text to a fourth version of it allowed ASEM members to close in gradually on the right subjects, tones and messages.

Finally, the negotiation process had been constructed so as to prefigure the dialogue that the heads of state and government would have on the day of the summit. Thus, it was considered paramount that, in the course of the preparations, delegations would have opportunities to meet and confront their ideas and opinions. Out of the exchange, participants could figure out where the other delegations stood on a particular issue and, as a consequence, would realise the kind of negotiation that would become necessary in order to arrive at agreed texts. This encouraged a cooperative attitude as well as an understanding of the challenge faced by the summit host in steering the negotiation process to a successful end.

\* The opinions expressed in this article are the personal considerations of the author and do not reflect official policy of the Belgian Government nor can they be attributed to it.



### 3 ASEM 8: The Narrative

*Paul Lambert\**

ASEM summits do not stand on their own. Though the meeting of the heads of state and government at the Royal Palace in Brussels in early October 2010 was the main event, ASEM 8 also provided the stage for three further constituent parts of the ASEM ‘family’. An ASEM parliamentary forum (the Asia-Europe Parliamentary Partnership, ASEP), an ASEM People’s Forum (AEPF) and an ASEM Business Forum (AEBF) were held in parallel to the gathering of the leaders. In addition, the Asia-Europe Foundation (ASEF) – ASEM’s only permanent institution – organised a Connecting Civil Societies Conference including an editors’ round table on the margins of the summit. Finally, the Centre for Fine Arts (BOZAR) set up an art exhibition in conjunction with the ASEM summit. This chapter chronologically recounts the events that took place before, during and immediately after the actual summit. Taken together, they shaped the Brussels message and the narrative of ASEM 8.

#### **The Asia-Europe Parliamentary Partnership**

Within ASEM, the Asia-Europe Parliamentary Partnership (ASEP) plays an important role in promoting mutual understanding among the people and countries of Asia and Europe. It adds parliamentary diplomacy to an ASEM process otherwise dominated by intergovernmental meetings. Like the summit, it now meets every two years. As one of its objectives is to influence the agenda of ASEM leaders, it usually convenes shortly before in the capital where the summit is hosted. Former ASEP meetings were held in a good and constructive spirit and always had a significant turnout.

The sixth Asia-Europe Parliamentary Partnership (ASEP6) took place in the Belgian federal parliament on 26-28 September 2010, just a week ahead of the summit. This allowed ASEP6 recommendations to be fed into the summit proceedings in a timely fashion. The approximately 120 participants included national as well as European parliamentarians, guests and observers.<sup>1</sup> Myanmar, which did not have an established parliament at the time, was not present. Following the November

2010 elections, one might see a parliamentary delegation from Myanmar taking part in ASEP7.

Steven Vanackere, Belgium's deputy prime minister and minister of foreign affairs, and Herman Van Rompuy, President of the European Council, delivered keynote speeches as host and chair of ASEM 8, respectively.<sup>2</sup> The former stressed that parliamentarians, elected by the people, contribute to shaping perceptions and enjoy natural attention and visibility. The latter set high hopes for establishing a shared sense of direction, creating synergies between the different actors in ASEM, maintaining reciprocity and striving for mutual benefits.

The conference adopted a final declaration, which espouses the structure of the prepared agenda of ASEM 8.<sup>3</sup> ASEP6 first debated on how to improve the effectiveness of global financial and economic governance structures. It then tackled the issues of sustainable development efforts (social progress, economic development and environmental protection), piracy at sea, and people-to-people relations (in particular, education and interreligious dialogue).

## **The Asia-Europe People's Forum**

The Asia-Europe People's Forum (AEPF) constitutes the people's equivalent of the meeting of the heads of state and government of the ASEM partners. Over the years, the AEPF had striven to gain more of an equal footing with the Business Forum. At AEPF 8, special attention was given to ensure sufficient 'linkage' with the actual summit. The host country Belgium also provided substantial financial support. The forum kicked off on 1 October 2010 with a trade union's day, a first within the AEPF's history. It was organised with the participation of the European and International Trade Union Confederations ETUC and ITUC and counted about 90 participants, of which 30 were Asian and 60 European (half of which were Belgian).

In his keynote speech,<sup>4</sup> Vanackere stressed the importance of solid non-governmental structures, like in Belgium, with its strong trade union tradition. Complimenting the organisers, the minister said that among the various parallel dialogues taking place on the occasion of the ASEM summit, the gathering of trade union representatives was one of the more focused, more structured and more relevant ones. In their statement,<sup>5</sup> trade unions called upon leaders to commit themselves to involve the social partners in the planning, execution and evaluation of ASEM cooperation projects and in the establishment of an Asia-Europe Labour Forum that could provide an institutional presence in ASEM for the representatives of ASEM's working people. The statement was di-

rected at ASEM 8 as well as at the third ASEM labour and employment ministers' meeting in Leiden, the Netherlands, in December 2010.

Up to the fifth of October, other events took place that were managed by the international organising committee (IOC) of the AEPF<sup>6</sup>. The IOC included three organisations on the European side – led by the Transnational Institute (TNI) in Amsterdam – and three organisations on the Asian side – led by the Institute for Popular Democracy (IPD) in the Philippines. In order to help the IOC organise the AEPF 8 in Brussels as well as to assure a clear link with the ASEM 8 host country, a Belgian national organising committee (NOC) was set up. The umbrella organisation, Centre National pour la Coopération au Développement (a Belgian francophone NGO), with the support of the 11.11.11. Noord-Zuid Beweging (its Flemish counterpart), took on the leading role, while the Belgian trade unions acted as co-chairs. This synergy between NGOs and trade unions has its origin, at least in Belgium, in the existence of an earlier coalition for 'decent work' which was to become a major theme during the People's Forum. The close cooperation between NGOs and trade unions was further driven by the prospect of the upcoming third ASEM labour and employment ministers' meeting.

The People's Forum focused on four major themes treated in parallel workshops: (1) trade and development (the Millennium Development Goals), (2) decent work – decent life for all (the International Labour Organisation Jobs Pact), (3) food sovereignty (agriculture and regional markets), and (4) climate change. 'Open spaces' were held where analysts and commentators from around the world – 500 participants in all, with about 170 Asian participants – discussed various topics related to the ongoing economic and financial crisis and suggested alternatives to existing development models. The large number of stakeholders, all wanting their particular point to be reflected, did to some extent affect the overall legibility and structure of the consensual declaration.

Well tuned to the prepared agenda of the summit (e.g. the discussion at the first plenary of the impact of the crisis on Asia and Europe), AEPF 8 reached out to political leaders, inviting them for debate and dialogue sessions. To highlight the link between the People's Forum and ASEM 8, Belgium's prime minister, Yves Leterme, participated in one debate. He did not deliver a speech but instead engaged with the plenary, giving his views on the various themes of the parallel workshops.<sup>7</sup> For his consideration and that of ASEM 8 leaders, he was handed the declaration of the People's Forum, which broadly covers sustainable solutions to the economic and financial crisis, support for a just trade and investment system, the accountability of corporations to citizens, the protection of the right to food and water, climate justice and decent work.<sup>8</sup>



## Asia-Europe Foundation events

The Asia-Europe Foundation (ASEF) organised a threefold series of events consisting of an ASEM outlook workshop, a conference with civil societies and an editor's roundtable, to which Belgium contributed financially. While the outlook workshop was held half a year prior to the summit (see Vandenkendelaere in this volume), the two other ASEF events took place on the margins of the summit. All were held in Brussels.

The fourth Connecting Civil Societies Conference (CCS4)<sup>9</sup> took place on 2-3 October and was co-organised by ASEF and its partners in the Europe-Asia Policy Forum ('EU for Asia')<sup>10</sup>. The conference tackled questions such as: 'What should ASEM's priorities be for the next two years?' and 'What are the most pressing concerns shared by governments and civil societies in Asia and Europe, especially those that could benefit from concerted policy attention and sustained ground action from citizens?' Participants took stock of and analysed some of the current trends and issues that define the Asia-Europe dialogue to date. They identified the most constructive areas for civil society cooperation and forecast emerging issues that could have an impact on future ASEM dialogue and directions. Held at Square, the Brussels meeting centre, the two-day conference facilitated seven concurrent thematic workshops and one panel discussion entitled 'Views from the ASEM Community'. The closed-door workshops and the panel were framed with an opening and a closing plenary featuring keynote addresses, one of which was by Vanackere.

CCS4 succeeded in its two main objectives. The first was to articulate recommendations and messages from the ASEM community with a view to bringing them to the attention of ASEM summit leaders. The other was to attract attention from the media and the public for the day-to-day work accomplished under ASEM and for the ASEM summit in general. The conference also served as a platform for the 150 members of civil society who regularly cooperate with ASEF. CCS4 furthermore delivered a focused report.

In addition, ASEF organised the fifth Asia-Europe editors' roundtable on 3 October in partnership with Chatham House and with the support of the Belgian Ministry of Foreign Affairs.<sup>11</sup> The 'Roundtable Asia and Europe: Engaging for a Post-Crisis World' brought together 17 eminent editors and senior journalists from Asia and Europe in a focused discussion. The subject was international mechanisms and institutions and how to evolve towards more credible and effective global governance. Participants reflected on the lessons from the euro zone crisis for Asia and Europe, as well as on areas for more Asia-Europe cooperation aimed at the long-term stability of the international financial architec-

ture. With its proceedings finding their way into the national and international media, it presented yet another occasion to familiarise the wider public with the themes and issues figuring on the agenda of ASEM leaders. Vanackere took an active part in the roundtable. He departed from his prepared speech, engaging on a personal basis with the editors, journalists and other participants from the media.<sup>12</sup> He observed that since the value of declarations and decisions depended on their implementation, there was a role for the press to monitor and ensure day-to-day accountability. In another observation, he expressed the hope that one day an ASEM summit would clearly state that human rights do matter, first and foremost on economic grounds.

### **The Asia-Europe Business Forum**

The Asia-Europe Business Forum (AEBF) brings together business leaders who share the goal of strengthening trade and investment relations between Asia and Europe. An annual event in the early years, the AEBF now traditionally convenes in parallel with the ASEM summit. It is first and foremost a business-driven event with a leading role for employers' organisations. The AEBF develops recommendations addressed to Asian and European leaders and aims to enhance economic cooperation between the two continents based on the experience and knowledge of their business leaders.

The twelfth AEBF dealt with the overarching theme of 'Financial Services Industry: Opportunities and Challenges for Asia and Europe' and was organised by the Federation of Belgian Enterprises with the support of the Belgian Ministry of Foreign Affairs.<sup>13</sup> A committee of businesspeople and civil servants had carefully defined the theme. This was to recognise the role the financial sector plays in the restoration of credit and investment flows between the two regions and in the financing of innovative products and services. The level of financial integration between Europe and Asia is relatively low. The core objective was therefore to encourage the intensification of economic and financial connections.

The opening of AEBF 12 was attended by Prince Philip of Belgium. Lim Hwee Hua, Singapore's Minister of Finance and Manpower, addressed the Business Forum at the opening session. In his speech, Vanackere stressed the need for improving the financial linkages between Asia and Europe.<sup>14</sup> Thereafter, two plenary sessions were held, one on restoring financial stability and another entitled 'Towards an Integrated Market for Financial Services'. The afternoon session consisted of a well-considered mix of testimonies on the growing role of Asia on the world financial stage, keynote speeches (e.g. on the importance of

an efficient capital market from a user's perspective) and three parallel breakout sessions.

Virtually all ASEM partners were represented by financial business leaders (bankers, insurers, fund managers, brokers and consultants) totalling 185 delegates participating in the plenary and breakout sessions. It made AEBF12 an open, creative and network-oriented forum for expression and debate on the margins of ASEM 8. It proved innovative as well: both the thematic approach and the targeted invitation – three per country at the CEO level – were widely appreciated by the participants. In closing its deliberations, AEBF12 issued a chairman's statement with specific recommendations relating to the future of the financial markets and general recommendations addressing issues connected to the quality of the business environment.

In addition to AEBF12, a number of business leaders were offered the opportunity to discuss the forum's final recommendations with ASEM 8 leaders. This took place over a breakfast meeting at the Royal Palace in the early morning of 5 October 2010. It was a first in the history of ASEM, inspired by a formula used before in the Asia-Pacific Economic Cooperation forum.<sup>15</sup> The purpose was to stimulate an exchange of views on Asia-Europe economic and financial cooperation. A discussion paper had been distributed in advance as food for thought.

The physical setup consisted of six different breakfast lounges with up to 12 participants each, composed in such a way as to achieve a balanced composition of political and business leaders from Asia and Europe as well as from the new ASEM partners<sup>16</sup>, inspired by a '3/3/3/3 formula'. Discussions focused on the financial and economic crisis, access to finance, (new) banking regulations, currency matters (including the feasibility and desirability of a single Asian currency), free trade, climate change and small and medium-sized enterprises.

The formula worked well. It lent political support for closer interaction between the business worlds of Asia and Europe. Participants felt it would promote business-friendly policies and generate positive spin-offs on trade and investment flows between the two regions, in particular in the financial sector.

## **ASEM 8 – the Brussels summit**

Since the inception of the ASEM process in 1996, Asia and Europe have stuck to their schedule of meeting every other year with remarkable regularity. The summit provided the opportunity to give expression to Asian and European views with regard to world developments.<sup>17</sup> The main themes were the aftermath of the economic and financial crisis and the promotion of more sustainable forms of development. These to-

pical choices took into account the context of the international agenda in the fall of 2010. A month after ASEM 8, in November 2010, a G20 meeting was to be held in the Republic of Korea, a non-G8 country, to shape the required policies in the face of the financial and economic crisis. In December 2010, the 16<sup>th</sup> Conference of the Parties of the Climate Change Convention in Cancun, Mexico, was to build further on the Copenhagen Summit of December 2009.

ASEM is first and foremost a forum for developing direct and personal contacts among Asian and European leaders. Hence, host country Belgium facilitated the holding of bilateral meetings by providing an appropriate setting for discussions, both within the Royal Palace and outside it. Most of the meetings were held on the morning of Monday, 4 October 2010, prior to the opening of ASEM 8, in the classic rooms of the Royal Palace. Van Rompuy, President of the European Council and Chair of ASEM 8, was kept very busy that morning. For many participants, meeting him was the highlight of their summit participation. Meanwhile, outside the Palace, the new comprehensive EU-Vietnam Partnership and Cooperation Agreement (PCA) was being signed. During the summit, leaders used the various coffee breaks for further personal contacts. Chance meetings happened, as between Japanese Prime Minister Naoto Kan and Chinese Premier Wen Jiabao which was widely publicised. Premier Wen Jiabao also met with the euro zone troika consisting of EU Commissioner Olli Rehn, European Central Bank President Jean-Claude Trichet and President of the eurogroup Jean-Claude Juncker. They addressed exchange-rate issues. ASEM 8 thus allowed Asian and European leaders to catch up with each other directly, in real time, outside of the organised discussions. The Belgian *art de vivre* at lunch and dinner seemed to have operated as a natural encouragement as well.

King Albert II of Belgium, Van Rompuy, Leterme and the President of the European Commission José Manuel Barroso welcomed leaders in the Royal Palace in downtown Brussels, which was perceived as a most fitting and prestigious venue for an ASEM gathering.<sup>18</sup>

The general level of representation was very high. On the Asian side, the Chinese premier Wen Jiabao, the Korean president Lee Myung-Bak, the Japanese prime minister Naoto Kan and virtually all ASEAN leaders took part. On the European side, participating leaders included French president Nicolas Sarkozy, German chancellor Angela Merkel, the British deputy prime minister Nick Clegg and the Spanish prime minister José Luis Zapatero. The Secretary-General of the ASEAN Secretariat, Surin Pitsuwan, and José Manuel Barroso were also present. Of all Asian participants, 12 out of 17 were represented at the head of state or government or at the vice-prime minister level. For the European side, the corresponding figure is 24 out of 28 participants. The attendance at

less than head-of-state level by two of the acceding new members was seen by many ASEM partners as a disappointment.<sup>19</sup>

In order to run ASEM smoothly, speaking arrangements were worked out, with the host country Belgium, in cooperation with all ASEM partners, striving to strike a balance between organised interventions and spontaneity.

This was for the most part achieved by conceptually dividing each session into two parts: a first part where leaders would take the floor on the basis of pre-registrations and a second part reserved for free flow discussion managed by the chairperson. Each leader received one pre-registered speaking opportunity and the possibility to intervene in the free flow discussions. To ensure time would be left for the latter, allocated speaking time was strictly limited to five minutes. The eventual number and sequence of speakers did, of course, depend on the discipline in the length of the interventions and on the management by the chair. The latter used its privilege to determine the exact sequence in order to stimulate a high degree of interaction between Asian and European leaders and to ensure the dynamism of the discussion. A similar contribution to fruitful discussions was the remarkable discipline of ASEM leaders to confine their comments to the topic being dealt with at a particular session. The brevity of the interventions also helped considerably in sustaining the dynamism of the discussion.

The ASEM 8 Brussels summit kicked off with a business-like opening ceremony on Monday, 4 October 2010 at 4:15pm, in the spacious Salle du Trône, the main venue for heads of state and government. Under the overarching theme of 'Greater well-being and more dignity for all citizens', in short, 'quality of life', Chairman Herman Van Rompuy opened ASEM 8 by thanking host country Belgium and by welcoming Russia, Australia and New Zealand who had joined ASEM as of that day. In his speech, Wen Jiabao referred to the full-blown international financial crisis at the time of ASEM7 in Beijing in October 2008. Letermere remarked on the very peculiar situation of ASEM 8 not being faced with some urgent or dramatic emergency. He deemed it, however, well-placed to look at policies over the medium and longer term.

In the process of setting the agenda for ASEM 8 (see chapter 2), it soon became clear that the discussion on financial and economic governance and the issue of moving towards more effective global financial and economic governance were of the greatest interest to all. Hence, the governance issue topped the agenda and was attributed the largest time span, having both the first session and the working dinner dedicated to it. This proved an inspired move, for session 1 ran out of time and lively discussions continued over dinner.

The challenge posed by the first topic was to address the prolonged uncertainties of an unstable recovery and to define the structural re-

sponses likely to prevent a repetition of the financial onslaught. ASEM 8 displayed its resolve to pursue reforms to financial regulation and supervision. In addition, signals were sent on the modernisation of the international financial institutions, taking account of the needs of today's world economy and of the shifts that have taken place as a result of the strong growth in dynamic emerging markets and in developing economies. On this topic, the Belgian prime minister stated in his opening intervention that leadership in international financial institutions implied open markets, a secure investment climate, the rule of law and convertible currencies exchange rates determined by market forces. The discussions among leaders on the role of the G20 in global financial and economic governance became heated when one European leader called the G20 a 'serious threat to democracy', pointing out that of the 48 ASEM partners, only 12 are G20 members.

The second day of the summit started for the heads of delegation with the breakfast meeting with business leaders, as mentioned earlier. Session 2 then dealt with the progress made on the path of sustainable development, following up on the Beijing declaration on sustainable development. ASEM partners agreed on concrete actions that clearly expressed their resolve, such as tackling trade and investment barriers that hamper the dissemination of innovative technologies. The demand for transfers of environmentally friendly, resource-efficient and clean technologies has increased dramatically in recent years. Since technologies spread through trade in goods and services and through investments, it made sense to focus on the obstacles to them. A discussion was further held to ensure that regulatory policies are introduced in a non-discriminatory, market-friendly way.

Referring to the importance of dialogue to reconcile trade liberalisation with the objectives of sustainable development, Leterme announced that Belgium would host an informal meeting of senior officials responsible for trade and investment (SOMTI) in the spring of 2011. This echoed the Asian side's longstanding request for a resumption of the meetings of the ASEM ministers for economy and trade. Apart from that, the Lithuanian prime minister, host of the first ASEM ministerial meeting on transportation, addressed a very concrete issue. He reminded those present of the desirability of filling in missing train links, which could greatly reduce the time needed to transport goods between Europe and Asia (from the actual 45 to 12 days).

During session 3, ASEM leaders worked on developing strong messages reflecting their common determination on a number of global issues, including the fight against terrorism and organised crime, the elimination of acts of piracy at sea, and the reversal of the proliferation of weapons of mass destruction and of their delivery systems. At this session, Russian Minister of Foreign Affairs Sergey Lavrov stressed that

with the accession of his country, a land connection was finally established between Europe and Asia. He underlined Russia's wish to cooperate constructively in ASEM in areas such as non-proliferation, disaster response, interfaith dialogue, non-proliferation, combating terrorism and the fight against modern forms of piracy.

Over lunch, views were exchanged on the regional cooperation mechanisms and integration efforts that take place in the respective parts of the Eurasian continent. Generally, the discussion served to reaffirm each other's objectives of fostering stability and raising prosperity through regional cooperation. On political developments and security issues such as Iran, Afghanistan, North Korea and Myanmar, as well as the peace process in the Middle East, there was a frank and direct dialogue designed to improve the understanding of the different positions held by ASEM partners. On Myanmar, sharp interventions addressed perceived shortcomings in the election preparations to which the Myanmar minister of foreign affairs responded. In an engaging intervention, the Mongolian president referred to the evolution from communism to democracy in his country and underlined that a similar evolution would be desirable in Myanmar. Based on these various interventions, ASEM partners adopted constructive conclusions, opening the way for new developments on the ground and meeting the wider objectives of ensuring lasting peace and stability.

The last session, under the heading 'People-to-People, Visibility and Future of ASEM' presented an opportunity to further develop exchanges among European and Asian civil society representatives and leaders. Leterme introduced the theme, advocating a further deepening of cooperation within ASEM, in particular through education and training. He emphasised the value of joint programmes such as DUO Exchange or Erasmus Mundus that arrange for the exchange of hundreds, sometimes thousands, of students. To promote Asian languages and raise the interest of studying in Asia, Leterme commended encouraging the teaching of Asian languages in Europe at an earlier age, including travel incentives and follow-up curricula in Asia. ASEM partners proposed to focus on youth and therefore on educational exchanges. They also reiterated the importance they attach to the continuation of interreligious and interfaith dialogue. In the course of their agenda, ASEM leaders examined the recommendations and suggestions issuing from the deliberations of the three parallel dialogues (Parliamentary Partnership, People's Forum and Business Forum). This had never been done before. It ultimately resulted in the tasking of senior officials to take the various recommendations into consideration and, where relevant, to make suggestions for appropriate action. It is interesting to note how the recommendations of the parallel dialogues espoused the same themes as those identified by the leaders as most relevant.

In his final remarks at the closing ceremony, Van Rompuy presented the agreed chair's statement and the Brussels declaration entitled 'Towards more effective global economic governance'. Both were adopted by consensus and presented at the concluding coordinators' press conference by Leterme. The chair, the four ASEM coordinators and Laos as the host of ASEM 9 delivered final remarks.

### **Centre for Fine Arts event**

A further event scheduled for the summit was a special exhibition in conjunction with ASEM 8 at the Centre for Fine Arts (BOZAR) in Brussels called 'A Passage to Asia, 25 Centuries of Exchange between Asia and Europe'.<sup>20</sup> The exhibition was set up in cooperation with the Asian members of ASEM as an illustration of 25 centuries of interaction between Asia and Europe, bringing some of the best of Asian culture to the heart of Europe. Considering the spirit of joint undertaking that lay at the basis of the initiative, it truly turned out to be the cultural equivalent of the political Asia-Europe summit. Immediately after the ASEM 8 press conference, the heads of state and government and their partners were offered the possibility of an exclusive visit to the exhibition hosted by Prince Philippe and Princess Mathilde, Dukes of Brabant. Van Rompuy and Vanackere were also present.

### **Conclusion**

The intense, inclusive and transparent preparations to the ASEM 8 summit, both in substance and form, helped to bring about a successful event. With the Lisbon Treaty entering into force on 1 December 2009, host country Belgium fully took into account the new European institutions, which from the very onset expressed their full confidence in the Belgian approach. On the Asian side, after some initial concerns, the new reality was soon considered part of the evolving ASEM practice, by no means affecting the quality and intensity of the multilateral dialogue between Asian and European national leaders (see also chapter 12).

Some introductory interventions were felt to be rather formal, as is often the case with such meetings. Yet, in general, the debates were quite spontaneous and interactive, leading participants to comment that ASEM 8 turned out to be one of the best summits in the cooperation framework's 14 years of history. Hence, the feeling is that the summit has genuinely contributed to the preparation of the ensuing events on the international agenda, in particular the G20 meeting in Seoul and the climate negotiations in Cancun, allowing for an improved understanding



of each other's perceptions and views. Last but not least, the intensity and quality of the parallel dialogues helped to shape the summit's outcome and to bring the Asian and European people closer together.

\* The opinions expressed in this article are the personal considerations of the author and do not reflect official policy of the Belgian government nor can they be attributed to it.

## Notes

- 1 Guests: representatives from the European Council, the European Commission, the Asia-Europe Foundation, the Asia-Europe Business Forum, the Asia-Europe People's Forum, ASEM Embassies in Brussels and the Belgian Ministry of Foreign Affairs. Observers: delegations from the House and the Senate of Australia, the House of Representatives of New Zealand and the Russian State Duma and Federation Council (at that time not having formally joined ASEM yet).
- 2 ASEM (Asia Europe Meeting) (2010), *Speeches*. [www.asem8.be/speeches](http://www.asem8.be/speeches)
- 3 ASEM (Asia Europe Meeting) (2010), *Asia-Europe Parliamentary Partnership*. [www.asem8.be/event/asia-europe-parliamentary-partnership](http://www.asem8.be/event/asia-europe-parliamentary-partnership) and [www.asep6.be](http://www.asep6.be)
- 4 ASEM (Asia Europe Meeting) (2010), *Speeches*. [www.asem8.be/speeches](http://www.asem8.be/speeches)
- 5 ASEM (Asia Europe Meeting) (2010), *Asia-Europe People's Forum*. [www.asem8.be/event/asia-europe-peoples-forum](http://www.asem8.be/event/asia-europe-peoples-forum)
- 6 See [www.aepf.info](http://www.aepf.info) or [www.asem8.be/event/asia-europe-peoples-forum](http://www.asem8.be/event/asia-europe-peoples-forum)
- 7 At AEPF7 in Beijing (ASEM 7, 2008), the Chinese Minister of Foreign Affairs delivered a speech; at AEPF6 in Helsinki (ASEM 6, 2006), the Finnish Minister of Foreign Affairs gave a keynote speech and participated in a session.
- 8 AEPF (Asia Europe People's Forum) (2010), *The 8<sup>th</sup> AEPF*. [www.aepf.info](http://www.aepf.info)
- 9 For more background on CCS4, see [asef.org/index.php?option=com\\_project&task=view&id=630](http://asef.org/index.php?option=com_project&task=view&id=630) and [www.asem8.be/event/conference-connecting-civil-societies](http://www.asem8.be/event/conference-connecting-civil-societies)
- 10 The International Institute of Asian Studies (based in Leiden, the Netherlands), the Singapore Institute for International Affairs, and the European Policy Centre (based in Brussels, Belgium)
- 11 Documents from the editors' roundtable are available at ASEF (Asia Europe Foundation) (2010), *5<sup>th</sup> Asia-Europe Editors' Roundtable*. [asef.org/index.php?option=com\\_project&task=view&id=664](http://asef.org/index.php?option=com_project&task=view&id=664) and [www.asem8.be/event/editors-roundtable](http://www.asem8.be/event/editors-roundtable)
- 12 For a recollection of his introduction, see ASEM (Asia Europe Meeting) (2010), *Speeches*. [www.asem8.be/speeches](http://www.asem8.be/speeches)
- 13 See AEBF (Asia Europe Business Forum) (2010), *Presentation*. [aebf.summitsfeb.be/about-aebf/presentation](http://aebf.summitsfeb.be/about-aebf/presentation)
- 14 See ASEM (Asia Europe Meeting) (2010), *Speeches*. [www.asem8.be/speeches](http://www.asem8.be/speeches) for the intervention of Deputy Prime Minister and Minister of Foreign Affairs Steven Vanackere.
- 15 E.g. Singapore in November 2009 and Yokohama, Japan, in November 2010.
- 16 Australia, New Zealand and the Russian Federation.
- 17 See ASEM (Asia Europe Meeting) (2010), [www.asem8.be](http://www.asem8.be) for a wealth of information on ASEM 8 and events on the margins of the summit.
- 18 Various ASEM partners commended Belgium for the 'royal' setting of the summit.
- 19 New Zealand was represented by its deputy Prime Minister, Bill English. The Russian Federation was represented by its Minister of Foreign Affairs, Sergey Lavrov.
- 20 ASEM (Asia Europe Meeting) (2010), *Exhibition "A Passage to Asia"*. [www.asem8.be/event/exhibition-passage-asia](http://www.asem8.be/event/exhibition-passage-asia).

## 4 ASEM Working Methods Reform: An Identity Issue

*Tom Vandenkendelaere\**

Since 1996, ASEM has constituted a unique framework for dialogue and cooperation between Europe and Asia. Biennial summits of heads of state and government, annual ministerial meetings and even more frequent meetings at the level of senior officials provide a regular setting for political dialogue.<sup>1</sup> ASEM's strength is its composition: 27 European Union (EU) member states, 16 Asian partners (of which 10 are members of ASEAN), three members of the so-called third temporary category (Australia, New Zealand and the Russian Federation), the European Commission (EC) and the ASEAN Secretariat.

Despite occasional ups and downs, the framework has remained remarkably 'open and evolutionary' in accordance with the pledge made during the first ASEM summit in Bangkok (Chair Statement of the First Asia-Europe Summit Meeting, Bangkok, 1996: V, § 18). The ASEM process is considered to be 'an informal and non-binding dialogue and multidimensional partnership based on equality and consensus' (Idris 2010). These characteristics are part and parcel of the framework's particular identity, which distinguishes it from other, more formal fora for international dialogue. The informality appears to be a key aspect of the dialogue between Asian and European countries, a dialogue that not only addresses economic matters but also political and socio-cultural issues (in contrast to the Asia-Pacific Economic Cooperation forum, for example).

That being said, despite the deliberate informal character of ASEM, a degree of formalisation and bureaucracy has crept into the ASEM process over the last fifteen years (Keva/Gaens 2008: 115). The numerous chairman's statements, declarations and meeting conclusions that have been adopted bear testimony to this.

ASEM's working methods can be defined as the mechanisms used by partners when pursuing their informal cooperation. They include not only the functioning of the networks of ASEM coordinators, senior officials and contact points, but also how they go about their work programme, the many ASEM initiatives, the communication among members and the negotiation processes. Throughout the years, and taking

into account the minimal degree of formalisation, questions have arisen as to how these working methods could be improved. Attempts to answer them have produced some particularly difficult exchanges, which all seemed to have revolved around one issue: that of ASEM's identity.

At least two views on ASEM's identity exist among ASEM partners. Some fear that changes in the working methods would engender a formalisation and institutionalisation of the existing mechanisms and would have the effect of stifling cooperation. These 'minimalist' countries consider that dialogue and loose cooperation are added values in themselves.

Another group of countries believes that, on the contrary, developing the working methods would lead to increased efficiency of the cooperation framework. In particular, considering the recently enlarged ASEM membership, there is an urgent need for better procedures in order to prevent ASEM from succumbing to its size, losing its coherence and even losing track of the activities conducted in its name. For some 'maximalist' countries, concrete results should even be pursued in the form of binding commitments. In addition, it is argued that increased rigour would produce positive side results in terms of the global visibility of ASEM.

Indeed, and this is a view shared by most ASEM partners, ASEM's visibility has been below expectations so far, especially in comparison with the magnitude of its potential (see also Bersick and Bauer in this volume). Several authors have put forward suggestions to overcome ASEM's lack of international visibility, though mostly without success (see e.g. Gaens 2006: 131; Yeo 2006: 150-1). There were pleas for a more structured approach to the ASEM agenda and activities, which would allow for a more user-friendly display of the outcomes and achievements of the ASEM dialogue. But these pleas have so far been unanswered.

The discussion between advocates and opponents of more stringent procedures continues to this day. This article analyses the key elements of the working methods, focusing on the following issues: 1) coordination and decision-making, 2) management of ASEM initiatives, including the 'Issue-Based Leadership' mechanism, and 3) the secretariat issue.

## **The relevance of ASEM working methods**

Ever since the beginning, ASEM's working methods have been a point of contention. Many spare no criticism for the lack of a structured approach and the consequent absence of deliverables coming out of the meetings (Gaens 2006: 134-5; Yeo 2006: 150-1). Others, in the past notably the EC, fought fiercely to maintain the informality of the ASEM

process (Keva/Gaens 2008: 126-7). In essence, ASEM has been endowed with a relatively simple institutional spine which ensures minimal coordination of cooperation activities (Gaens 2006; Keva/Gaens 2008; Yeo 2006).

The core of ASEM working methods is made of the senior officials and of ASEM contact points of the ASEM members.<sup>2</sup> They operate in coordinators' meetings (bringing together two Asian and two European coordinators, either in an 'open format' allowing all other ASEM members to attend as observers or behind closed doors) and in plenary senior officials' meetings (gathering all ASEM senior officials). Plenary senior officials' meetings are traditionally preceded by regional preparatory gatherings in different configurations. At first, the European group and the Asian group meet separately, the latter being itself a combination of internal consultations within the ASEAN subgroup and the non-ASEAN subgroup (the North-East South Asia group, or NESAs). Plenary senior officials' meetings are prepared by the coordinators who agree on the time and place, draft an initial agenda and also co-chair the meeting. In practice, plenary senior officials' meetings provide the essence of the stimulus to the ASEM process, for they can decide by consensus on the follow-up to be given to summit and ministerial meetings and on the preparations to be agreed for a forthcoming summit or ministerial meeting. In the Asia-Europe Cooperation Framework (AECF) (AECF2000: V22-23), the function of the senior officials had been left largely open. It has developed over time, and incremental changes in their role have only rarely been called into question (see e.g. Helsinki Declaration on the Future of ASEM & Annex on ASEM Working Methods and Institutional Mechanisms, 2006: Annex, II, 1-2).

ASEM senior officials' meetings essentially ensure the development of ASEM-specific initiatives. The AECF defines ASEM initiatives as events or projects, in effect seminars, conferences, meetings or sometimes even more permanent forms of cooperation that shall 'contribute to advance the overall objectives and perspectives of the ASEM Process' while 'clearly stat[ing] [their] goals, prime actors, [...]' (AECF2000: V25-27). Initiatives are thus intended as the practical backbone of the dialogue to which ASEM aspires in three specified key areas: the political, the economic and the socio-cultural. Initiatives have a twofold role. They are meant to implement or follow up political resolutions taken at the summit or ministerial level. At times, they feed back into the political process and produce recommendations for higher-level political decision-making.

The amount and variety of initiatives are generally taken to reflect the dynamism of ASEM members and are therefore considered a positive thing. The ASEM work programme agreed at the Beijing ASEM 7 summit, for example, produced an impressive array of initiatives: fostering

interfaith dialogue, improving energy security, promoting tourism, empowering local communities through the use of information and communication technologies, introducing new demining technologies, and increasing human security, to name but a few (Chair Statement of the Seventh Asia-Europe Meeting, Beijing 2008: Annex II). However, as Keva and Gaens point out, the ‘effectiveness, evaluation and follow-up of all these initiatives have been the focus of debate throughout the process’ (2008: 116). The key criticism is aimed at the fact that few records are kept on how the initiatives came about, what substance they produced, what attendance they mustered, what conclusions – if any – they marked up, and what follow-up was given in the end. Over time, it is being said, the memory of the work that was delivered tends to fade away. Hence, later initiatives with a comparable purview are sometimes launched without taking precedents properly into account.

An attempt to tackle this problem was undertaken at the Helsinki ASEM6 summit by introducing the ‘Issue-Based Leadership Concept’ (Helsinki Declaration on the Future of ASEM & Annex on ASEM Working Methods and Institutional Mechanisms, 2006: Annex, I, 2). The concept was intended to bring more focus and coherence to ASEM initiatives by defining in advance a number of clusters of areas of cooperation. The concept foresaw that interested ASEM partners would re-group and take the lead on a specified theme: ‘from summit to summit’. They would take it to heart to implement a coherent programme of seminars, events or other specified projects to carry the theme forward. Those partners would then report back to the summit or to the senior officials’ meeting on the results. Thus, ASEM initiatives would be captured in a more systematic approach, allowing a more efficient observation – and possibly evaluation – of the progress accomplished.

In the first year after the Helsinki summit, clusters of issues were identified and later underwritten by a number of ASEM countries. They included: the strengthening of multilateralism in addressing global threats of common concern; integrating globalisation, competitiveness and structural changes in the global economy, including labour issues, education and human resource development; promoting health, science and technology, including information and communication technologies; promoting sustainable development with a special focus on the Millennium Development Goals, fighting climate change, protecting the environment, clean energy; and finally engaging in intercultural and interfaith dialogue (Keva/Gaens 2008: 119).

The effort was commendable, but doubts keep lingering about the actual value of the ‘Issue-Based Leadership’ concept. The level of commitment on the part of ASEM members has remained low. The clusters of topics have appeared rather artificial, though most of the projects were duly carried out. In this regard, lack of implementation was not

the issue. Rather, the projects simply followed their individual logic, visibly disconnected from the theme to which they allegedly belonged and with little involvement of the other ASEM partners associated in the cluster. Furthermore, the same weaknesses as with individual initiatives could be observed: little information was shared between ASEM members, and hardly any follow-up was ensured.

Hence, the idea of setting up an ASEM secretariat continued to be promoted. The arguments in favour of a secretariat are that it would help keep records, create templates, streamline procedures, facilitate communication, foster transparency, and thus would provide institutional memory and ensure that every next step would take into account what had been done or attempted before. Similar functions were already performed by the ASEM Research Platform (ARP) initiated by the International Institute for Asian Studies (IIAS). It operated from 2004 to 2006 and consisted of an archive of official ASEM documents, a virtual library containing all articles and books written on ASEM, an agenda of all ASEM events and a virtual discussion room for those interested in ASEM affairs (Van der Velde/Stokhof 2002). The ARP eventually served as the basis of the ASEM Infoboard launched in 2006 by ASEF.

Actually, the issue of an ASEM secretariat had been on the table almost since the very start of the ASEM process. In 1999, the Asia-Europe Vision Group (AEVG) suggested that a small secretariat be created to form a structural coordination mechanism. The AEVG's proposal of greater institutionalisation was later supported by the European Parliament's Committee on Foreign Affairs, Security and Defence Policy. Such a secretariat would ensure that notably the EU member states would not lose interest in ASEM. It would also allow the dialogue and cooperation framework to achieve more concrete results (Keva/Gaens 2008: 126). At the time, the reticence of the European Commission and a few Asian countries vis-à-vis such a secretariat constituted an obstacle. There existed a fear of losing the flexibility that goes with informality (Keva/Gaens 2008: 126). The positions of the different countries thus reflected the aforementioned difference in views between 'maximalists' and 'minimalists' (Yeo 2006: 149).

Attempts to trigger the creation of a secretarial mechanism were nevertheless undertaken. The Hanoi 2004 summit tasked the 'Foreign Ministers and Senior Officials to study and submit their recommendations on the continued improvement of ASEM institutional mechanisms, including the possibility of moving towards an ASEM Secretariat at an appropriate time [...]' (Chair Statement of the ASEM 5, Hanoi 2004: § 6.3). This resulted in the launch of an ASEM Virtual Secretariat (AVS) at the ensuing 2006 Helsinki summit. The AVS was intended to 'function as ASEM's coordination and information-sharing device, offer-

ing technical assistance to the Coordinators' (Helsinki Declaration on the Future of ASEM & Annex on ASEM Working Methods and Institutional Mechanisms, 2006: Annex, II, 3). It was to offer an intranet platform for the posting of documents and invitations, including record-keeping of agreed texts. Put simply, it was to function as a self-service device for all ASEM members, dodging the need for recruiting or assigning personnel. As it turned out, however, the AVS was never put in place. A feasibility study that was conducted never reached a conclusion. Thus, the issue of whether a secretarial mechanism without a guardian, like a ship without a captain, was a workable proposition at all was left up in the air. In this context the staffing issue appears to be a crucial one. It is related to the issue of ASEM funding, and it is a known fact that ASEM members are unwilling, on a consensus basis, to provide minimal funding for some kind of secretarial mechanism.

Against this background, the EC launched an initiative, which the Hanoi 2009 foreign ministers' meeting agreed to endorse. Its chair statement welcomed 'the proposal for an "ASEM 8 Coordinating Office" as an ad-hoc one-year initiative to prepare, coordinate and support the ASEM 8 Summit' (Chair Statement of the Ninth ASEM Foreign Ministers' Meeting, Hanoi 2009: § 30). Up until ASEM 8 in Brussels, and even some time beyond, the coordinating office had taken on a number of secretariat functions, e.g. putting order into the ASEM archives, collecting information about past and ongoing initiatives, developing templates, documenting practices of the last 14 years, setting up a model intranet for use by ASEM members, etc. Two full-time staff members ensured the management and the functioning of the coordinating office.

The funding of the office was provided exclusively by the EC. Hence, the survival of the coordinating office depended on the continuation of EC funding. In addition, since it constituted a unilateral initiative, the staff had no responsibility vis-à-vis the other ASEM members. It was thus not answerable for the quality of its services to the whole of the membership. The coordinating office was not 'owned' by the ASEM community. Yet such ownership would appear to be a primary requirement for the credibility and the proper functioning of any secretarial mechanism. Hence, discussions about ASEM's working methods were still going on when preparations for the Brussels summit of 2010 were initiated. On the basis of consultations, the Belgian host of ASEM 8 sensed that there was a growing readiness on the part of ASEM members to try to address some of ASEM's recurrent weaknesses. The next section explains how the ASEM working methods developed as a topic for the agenda of ASEM 8. The analysis is based on the different negotiation papers that were prepared in the run-up to the summit to which the author had access.

## Reforming ASEM's working methods

The working methods of ASEM were themselves the subject of discussion. But a new factor intervened that would draw even more attention to them. In May 2009, the ASEM foreign ministers' meeting in Hanoi decided to admit Russia and Australia as new members and tasked senior officials to define suitable modalities to make this happen by the time of the Brussels summit. The modalities question arose because it became clear that both countries could not be part of either of the two geographical groups constituting ASEM: Europe and Asia. Not being part of either geographical group, the two countries could also not take part in the ASEM coordination mechanism. In this context, the argument was made that adaptations to ASEM's working methods might be desirable so as to address the issue of differential treatment that the new members risked receiving.

On 6 October 2009, Belgium circulated a 'non-paper' designed to consult the ASEM membership on the purpose and content of the upcoming summit (see Annex 4). One of the proposals was to plan for a discussion on the future of ASEM. Under this heading, the all-encompassing formula figured as follows: 'issues relating to the functioning of the dialogue may be discussed, including the general coordination of the dialogue, the management of the 'Issue Based Leadership' and the efficiency of the work achieved within ASEM, based on proposals to be developed' (ASEM 8 Non Paper, 2009).

After a first round of reactions and further consultations, the topic was integrated into the follow-up paper – the 'concept paper' – issued on 15 January 2010 (see Annex 5). At the time, the exact modalities for the accession of Russia and Australia were still undecided. The 'concept paper' argued that a discussion of the working methods would appear logical, given that 'with 45 members and still expanding, working methods matter more and more to preserve and further advance the ASEM process and ensure its future' (ASEM 8 Concept Paper, 2010). Adding to this, ASEM members were reminded that every summit so far had devoted a part of its discussions to the working methods and that, in this regard, Brussels would not be different.

ASEM members confirmed that they agreed on the need to discuss the working methods during the senior officials' meeting in Madrid in January 2010 and in their communication afterwards. The issue consequently became part of the 'annotated agenda', which was circulated on 15 April 2010. The Belgian Ministry of Foreign Affairs, together with the Asia-Europe Foundation (ASEF) and the Konrad Adenauer Stiftung, then decided to devote the ASEM outlook seminar, a traditional pre-summit event, specifically to ASEM's working methods. Being one of the first preparatory events, the workshop was seen as an excellent op-



portunity to devise and test workable ideas. Belgium prepared a paper with an array of suggestions. These included an improved and better-defined coordination mechanism; a two-person 'technical support team'; a better-structured senior officials' meeting; an expanded role for the upcoming summit host; a renewed definition of the 'Issue-Based Leadership' mechanism; a more dynamic, real-time ASEM website; the development of a separate intranet for delegation use only; an enhancement of interaction with ASEF; and finally, more recognition of the relationship with the parallel dialogues – the Asia-Europe Parliamentary Partnership, the Asia-Europe Business Forum and the Asia-Europe People's Forum (Improving the Working Methods of an Enlarged ASEM: Suggestions, 2010).

The discussions during the outlook seminar dealt with all issues but dedicated much time to the proposed 'technical support team'. Aware of the agonising discussions in the past, the idea had deliberately been formulated in a very cautious manner: it was suggested that only two persons would be needed to accomplish what in essence were only administrative tasks. This and other suggestions were encouraged by workshop participants, who at times called for a much more ambitious version of an ASEM secretariat. Eventually, taking all sensitivities into account, an amended paper on ASEM's working methods was circulated to ASEM members on 22 April 2010 (see Annex 7). The paper refined the proposals that had been discussed during the seminar. It foresaw a better-defined and more precise role for the coordinators in an attempt to ensure better continuity in between senior officials' meetings. The text also envisioned a greater role for the upcoming summit host alongside the ASEM coordinators. The text furthermore suggested a clarification of the tasks and responsibilities of the senior officials' meetings. The idea of a 'technical support team' as an unpretending administrative tool at the service of the entire ASEM membership figured in the proposal. It would, among others, facilitate communication between ASEM members, maintain records of decisions and run an intranet system. Furthermore, 'Issue-Based Leadership' would need to be better defined and given a few more guidelines so as to perform more to the benefit of the entire ASEM membership. As first suggested, the parallel ASEM dialogues were also to receive more attention from the intergovernmental process.

The paper was then discussed at the senior officials' meeting held in Phnom Penh on 5-6 May 2010. Many of its suggestions readily found support, but more time would be needed before decisions could be taken. There were, as expected, questions about how to implement the 'technical support team' idea. Some ASEM members were more ambitious and showed their willingness to talk about setting up a full-fledged secretariat. Others argued against the so-called creeping institutionalisa-

tion that a ‘technical support team’ could trigger. An issue was even made of the suggestion to keep records of the decisions taken at senior officials’ meetings, the objection being that this would lead to unnecessary drafting sessions. As a result, the final version of the ‘annotated agenda’, which was released on 2 June 2010 in preparation for the ASEM 8 summit (see Annex 6), used approximately the same language as the earlier 15 April version, indicating that there had been no progress in regard to the ‘working methods’ between the two dates.

On 8 July 2010, a first integral body of draft texts intended for approval by the ASEM leaders at the Brussels summit was circulated. This included a draft chair statement. With regard to ASEM working methods, the proposals from the 22 April paper had all been integrated with a view to ensuring further consideration by the ASEM membership. And indeed, the ASEM senior officials reviewed the proposals in detail during their two-day meeting in Brussels on 14-15 July.

As it turned out, the discussions indicated overwhelming support among the ASEM membership. Quick agreement was reached on the more prominent role of the upcoming summit host. In the run-up to the summit it is responsible for and the increased recognition of the parallel dialogues. There was also consensus that the idea of an ASEM virtual secretariat had to be shelved definitively. But with regard to the ‘technical support team’ and the other aspects of the working methods, a few members felt that further examination was needed. Several details remained to be clarified. One of the suggestions that garnered quite some acceptance was that leaders would delegate to senior officials the housekeeping matter of further defining and then deciding on the administrative support that would be required to ensure the future efficiency of the ASEM framework.

The recollection of the chair, an unofficial report of the meeting drawn up to assist the ASEM members in their preparations for the ASEM 8 summit, integrated this suggestion. It noted: ‘Senior Officials should be tasked to [...] set up a light, practical and cost-effective mechanism that would provide technical support to the Senior Officials’ Meeting and to the Coordinators and [to] seek to define more clearly the concept of “Issue-Based Leadership” and [its] responsibilities’ (ASEM Senior Officials’ Meeting, Brussels, 13-15 July, 2010, Recollection from the Chair, 2010: § 5).

The 16 August version of the draft chair statement integrated a formula akin to the language from the recollection of the chair. However, the formula had to be revised based on the feedback received. The ensuing versions would gradually evolve towards a more limited tasking to senior officials. They would be asked only to work out proposals and make recommendations, and then submit them to the next ASEM foreign ministers’ meeting for decision, i.e. not take the decision them-

selves as suggested before. According to some ASEM members, equipping ASEM with administrative support, even if it would be in the form of a modest two-person 'technical support team', represented a first institutional step that required a political, not an administrative, decision.

The solution that was emerging concerning the proposed administrative support in turn also inspired the language for the other aspects of working-method reforms, including the 'Issue-Based Leadership' issue. An all-encompassing phrase was added, inviting senior officials to seek overall improvements in the various existing mechanisms of cooperation. That such a phrase could be added constituted a strong indication: the ASEM membership agreed that the growing number of members as well as the integration of a new kind of member, namely the third temporary-category members, would require a number of improvements to ASEM working methods. The need to undertake action on the question of working methods was thus formally recognised.

The eventual result figures in § 84 of the chair statement of ASEM 8. In fact, the consultations conducted since the Hanoi foreign ministers' meeting as well as the outlook workshop and the different working texts that were put forward had a double effect. They raised awareness about the difficulties that ASEM was going to face in the near future, and they provided first indications on how ASEM members thought they might be addressed. The negotiations held at the senior-official level in the run-up to the summit brought quite some focus, in particular during the period between July and September. Hence, the tasking that the Brussels summit gave to senior officials is not to be understood as a polite way to defer the issue to a next vague opportunity. It was a precise demand, which incidentally also carried a clear deadline. As the ASEM 8 chair's statement stipulated, the tasking of the senior officials was expected to result in concrete proposals in time for the 2011 foreign ministers' meeting in Hungary (Chair's Statement of the Eighth Asia-Europe Meeting, 2010: § 84). To this effect, a coordinators' meeting and no less than two senior officials' meetings were scheduled to take place before the 2011 foreign ministers' meeting.

Also, the recognition of the special role of the upcoming summit host should be considered as an important step forward. Being an integral part of the coordination mechanism during the two years preceding the ASEM summit for which it is responsible, the upcoming summit host can henceforth take on a leadership role and, as an important stakeholder, guide the ASEM community towards more and better political achievements. This change harbours considerable potential for ASEM. When the upcoming summit host takes up this responsibility in earnest, it could provide the sort of stimulus that the ASEM process actually needs, in particular in between summits.

Despite the clear advances in political terms, chances are that actual changes to ASEM working methods will be prudent, incremental and based on concrete added value. This is because any step hinting at some form of institutionalisation of ASEM remains controversial. A few steps are being suggested that would seem to respect this constraint. They could be described as 'first-aid' measures that are intended to fit within the existing framework and therefore should not arouse major controversy.

The first one concerns ASEM's existing website, the ASEM Info-board, nowadays a rather passive tool that imperfectly serves the visibility of ASEM. The idea with regard to the Infoboard is the following: make it the entry portal for an intranet that would be created for exclusive use by ASEM delegations. It would raise the profile of the website and give it a more official character. Increased use of the intranet by the delegations would probably result in an increase in use of the public website by the public, raising in the end the external visibility of ASEM itself. Practically speaking, a login section could easily be created on the ASEM Infoboard. After logging in, delegations would then be led to an intranet system comprising a notice board, a private-message facility, current information on ASEM events and activities, updated lists of officials, contacts and institutions, and an archive.

The other suggestion concerns the staffing issue. Considering the inconclusive experience of the ASEM virtual secretariat, it has become clear that an intranet, and for that matter also a website, do not work without staff dedicated to make them run. But then, where to find the resources? One idea is to look for them in places where a strong incentive exists to make these tools operate properly. Much in line with the explanation provided for the increased role of the upcoming summit host in the coordination mechanism, that incentive could exist with the hosts of ASEM's main events. They have a major stake in the smooth functioning of internal ASEM communication and also could be the ones most ready to make investments that contribute to the success of ASEM's political cooperation. This could be the upcoming summit host, as already hinted, and also the host of the upcoming foreign ministers' meeting. If each of them would contribute one dedicated staff 'from summit to summit' or 'from foreign ministers' meeting to foreign ministers' meeting', the necessary personnel would be available. Modern telecommunication technologies would allow them to cooperate from a distance, which would present the advantage that no permanent expatriation would be needed. At most, a relatively modest travel budget would have to be foreseen.

Summits and ministerial meetings take place every two years but in alternating format (e.g. ministerial meeting in 2009, summit in 2010). This would mean that the personnel contributed by the summit host

and the foreign ministers' meeting host would essentially change one at a time every year. So this scheme can work. However, it would not guarantee that at all times there would be one Asian and one European on the task. For this, it might be necessary to identify an ASEM member that could contribute a third person on a voluntary basis who would join the team for the purpose of geographical balance.

A charter stipulating in detail the essentially administrative tasks and responsibilities as well as the division of labour could easily be drawn up. In addition, provisions could be included to allow for possible voluntary financial contributions in order to pay for personnel or travel costs that would alleviate the burden on the hosts of ASEM's main events. In fact, experience with making such a scheme work is already available: we can refer to the establishment of the coordinating office set up and funded by the European Commission in 2010 as an ad-hoc one-year initiative to prepare, coordinate and support the ASEM 8 summit. It has collected an impressive amount of material and even put into place an intranet. This seems to neatly prefigure what ASEM members would want to set up more formally among themselves.

## Conclusion

ASEM working methods have generally remained unchanged since ASEM's inception. This is despite an impressive diversification of its agenda and a doubling of its membership. Already nine years ago, observers had established a connection with the still undecided issue of the ultimate identity of ASEM. Is it to remain a loose framework for political dialogue, or should it develop into an efficient and more binding compact for cooperation? Such indecisiveness clearly has a detrimental effect on the day-to-day work.

Throughout the preparations for ASEM 8, the Belgian summit host sensed that the mood among the ASEM membership was shifting towards reform of ASEM's working methods. Though the diversity of views on ASEM finality persists, there is a sense that some measures could and should be taken in order to ensure the continued vitality of the ASEM process and also to ensure that the three new members that belong to neither the European nor the Asian group can be fully integrated. Hence, leaders at the ASEM 8 summit endorsed a clear tasking of the ASEM senior officials to work in that direction. Naturally, some modest incremental steps can be thought of such as better exploitation of modern communication technologies or creativity in addressing staff requirements. Such minimalistic changes might be efficient enough in the short term and, at the same time, might have a positive impact on the external visibility of ASEM. Yet in the medium to long term, more

changes will be needed if the goal is to make ASEM a strong, convincing and concrete cooperation framework with a visible impact on Europe-Asia relations. For this, additional political will is required if ASEM mechanisms – including the much promoted ‘Issue-Based Leadership’ – are to continue to be effective.

- \* The opinions expressed in this article are the personal considerations of the author and do not reflect official policy of the Belgian Government nor can they be attributed to it.

## Notes

- 1 This analysis discusses the intergovernmental level of the ASEM process. For civil society-related events see Lambert’s chapter in this volume.
- 2 Contact points are persons identified within the competent administration of each ASEM partner and entrusted with the responsibility to receive and send communications relating to ASEM issues on account of the ASEM partner to whom they belong.



## 5 Perception and ASEM Visibility in the European Media

*Sebastian Bersick and Tanja Bauer*

Asia-Europe relations are in need of better communication. Why is this so? As the European Union (EU) struggles with the political and economic dangers of the ongoing financial and economic crisis, the importance of the Asian region for EU policymaking is becoming ever more evident. The crisis only highlights the undergoing power shift from ‘the West’ to ‘the East’ and the continuing need for the EU to react to the structural changes that have taken place in the international political economy following the end of the Cold War. At the same time, the successful economic development of emerging countries like China and India reinforces the cooperation and integration processes among Asian countries.<sup>1</sup> As a consequence, the practical importance of multilateral institutions that can contribute to governance and problem-solving capacities, such as the Asia-Europe Meeting (ASEM), is increasing. Yet the ASEM 2010 summit in Brussels was not influenced by external developments alone. More than anything else, the accession of Russia poses a challenge to the inter-regional identity of ASEM. In addition, the accession of India (in 2008) and the implementation of the Lisbon Treaty requirements by the Belgium host of ASEM 8, increased the institutional asymmetry that forms part of ASEM’s identity (Bersick 2003: 203ff). As a result, ASEM’s European members have achieved greater unity, while ASEM’s Asian members have increased their diversity. How Asians and Europeans manage these changes and the challenges for governance they imply will largely determine the overall sustainability of the ASEM process.

As a result, a deeper understanding of the regional cooperation and integration processes in Europe and Asia will be needed in order to smooth over the institutional differences in Asian-European affairs. In this context, studying perception can contribute to improving the communication between Asia and Europe, as perception is a decisive factor in determining the expectations of others (Chan 2010: 134). The research on perception is not concerned with the study of facts but with the question of how facts are constructed and understood. ‘Perceptions matter – because they are a basis for understanding and a foundation upon which actors make choices and decisions. Understanding the perceptions and perspectives of “the other” side can provide a basis for the



improved communication and give guidance on policy adjustments' (Wetterqvist 2009: 16). The study of perception is a necessary but not sufficient condition for the advance of policymaking. Images and perceptions of ASEM should be regarded as intangibles: immaterial but essential assets that reflect on ASEM and thus help to build its substantial foundation (Chaban/Lai 2009: 220). A disregard of these intangibles may have negative consequences for the ASEM process, its resources and target-group-specific initiatives and policies. The question of how Asia is perceived by Europe is thus becoming increasingly relevant for European as well as for Asian policymakers. Evidence-based knowledge on the production of perceptions in the Asia-Europe context can help to overcome stereotypes that may otherwise inadvertently influence policymaking within and between both regions.

This chapter deals with the perceptions of Asia in Europe and will analyse the visibility of ASEM affairs, and especially the ASEM Brussels summit of October 2010, in the European media. It shows the first results and draws on the quantitative data sets of a multidisciplinary and cross-national research project, which conducted a media analysis that studied Asia's image in European news media production. The data was collected in a three-month period by a team of researchers in eight EU member states that form the European part of the Asia-Europe Perception Project.

### **The Asia-Europe Perception Project**

Though Europeans and Asians share a long history of interaction, it was only in 1996 that the two regions of Europe and Asia started to build a partnership through an informal process of dialogue and cooperation. From the outset, it has been the rationale of the ASEM process to facilitate understanding between the two regions as well as the countries and peoples involved. In order to link the many segments of Asian and European societies within the overall framework of the ASEM process, to facilitate cooperation and to counter the perceived threat of a clash of civilisations, the Asia-Europe Foundation (ASEF) was established in 1997. Among ASEF's agenda is the support of the European Studies in Asia (ESiA) network, an academic cooperation initiative that aims to reinforce Asia-Europe relations by stimulating European studies in the Asian region. The centrepiece of this endeavour is the ongoing comparative study of EU and ASEM imagery in Asia (see Chaban/Holland 2010). The research project – The EU through the Eyes of Asia – studies the external perceptions of the EU with a view to '[p]aying attention to how the EU is viewed abroad [which] helps us to evaluate whether gaps between expectations and realities have affected the

“reach” of EU influence’ (Rhodes quoted in Chaban/Holland 2010: 129).

Building on this focus of differing conceptualisations between Europe and Asia, the mirror project – Asia in the Eyes of Europe (ASiE) – complements the already established research agenda by adding the ‘missing leg’. The two research projects are the two sides of the overarching inter-regional Asia-Europe Perception Project, a systematic empirical analysis of each other’s perceptions. The ASiE research project consortium consists of ASEF, the National Centre for Research on Europe (NCRE), the German Council on Foreign Relations (DGAP), the Konrad Adenauer Stiftung (KAS) and Tsinghua University in Beijing. The eight national research partners are: the Austrian Institute of International Affairs, the Brussels Institute of Contemporary Chinese Studies, the Copenhagen Business School – Asia Centre, the Institut Français des relations international – Centre Asie, the German Council on Foreign Relations, the University of Siena, the Romanian Institute of European-Asian Relations and the London School of Economics and Politics.

### **Asia in the Eyes of Europe**

The ASiE research project intends to deliver an analysis of Europe’s cognitive outlook towards Asia and ASEM. It deals with the under-researched issue of public perceptions of Asia in the EU, aims to track the existing landscape of perceptions of Asia within the EU, and seeks to contribute to, deepen and enhance European-Asian understanding.

Since images can be counterproductive to an effective dialogue between the EU and Asia, it is necessary to study Europe’s image of and attitude towards Asia. Yet no systematically empirical research on Europe’s perceptions of Asia – and in particular of Asian region-building processes – has so far been conducted. Europeans’ perceptions of the formation of Asia as a region that is not merely geographically defined but increasingly also functionally integrated are largely unknown. No empirical data exist on the perceptions that European have towards region-building processes in Asia. Yet perceptions provide the basis for understanding as well as a foundation upon which actors make choices and decisions. This lack of information can be thus detrimental to the further development of inter-regional policy dialogue between Europe and Asia and the ASEM process in particular. Given the formation of a regional architecture in Asia and the EU’s role within it (Bersick 2009), paying attention to how Asia is viewed in Europe helps to evaluate whether expectation gaps or deficits (see Tsuruoka 2004) affect European and Asian policymaking. The European perception of the many unfolding cooperation and integration processes in the Asian region

will be key to improving European understanding of Asia's future economic, political and cultural dynamics and their impact on the development of Europe and EU-Asia relations. A lack of knowledge may result in the EU becoming more prone to unilateral and bilateral rather than multilateral policies.

ASiE aims to assess Europe's attitudes towards a region that has long considered the EU as a reference point for its own regional integration agenda. Asian regional dynamics are essentially fostered by emerging powers like China and India. At the same time, the emergence of regional organisations such as the Association of Southeast Asian Nations (ASEAN), ASEAN+3 (APT) and the East Asia Summit (EAS) as well as inter-regional institutions such as the ASEAN-EU Dialogue and the ASEM process demonstrate the need for institutions of regional governance. Against the background of contemporary processes of cooperation and integration in Asia, ASiE seeks to answer the question whether Europeans have any sort of perception regarding Asian integration and region-building. A study of Asia's image in Europe can help Europeans and Asians to understand how their mutual interaction impacts the shaping of institutions of regional and inter-regional governance that can complement structures of global governance. The research does not only assess European perceptions of individual Asian countries but also the perceptions of organisations such as ASEAN, ASEM or the Asia-Pacific Economic Cooperation forum (APEC). The analysis of the regional dimension adds not only comparability but also policy relevance to the overarching Asia-Europe Perception Project.

The research on the image of the EU in Asia revealed that individual EU member states were considered to be politically relevant actors rather than the EU as a regional organisation (Holland/Chaban 2007). The ASiE project is following up on these findings and aims to elucidate views within the EU concerning the question "Do Europeans perceive Asia as an international actor or merely as a geographic region that is home to individual countries?" The study identifies, measures and compares public perceptions of Asia within the EU and is intended to create knowledge with regard to the perceived role of countries and region-building processes in Asia. Questions that guide the research interest are: Which Asian countries do Europeans deem important for their own future? Which issues do Europeans regard as pivotal areas of cooperation? What do Europeans know about region-building processes in Asia? Do Europeans perceive regional organisations or institutions in Asia as international actors? Do Europeans consider them as politically relevant actors? Do Europeans think that Asian regional organisations and institutions possess problem-solving capacity?

Questionnaires have been developed in order to conduct a public opinion survey, and stakeholder/elite interviews address these questions by

using an issue-based approach. Relevant policy fields for assessing the problem-solving capacity of national governments and regional organisations or institutions are environmental protection, cultural cooperation, development aid and assistance, trade, energy and natural resources, human rights and democracy, security and anti-terrorism, and social welfare. This can help to shed light on the question of to what extent Europeans are aware of Asian contributions and potential to contribute to multilateral initiatives, for example on preventing climate change, peace-keeping and reconstruction and development.

A key topic and issue that will likely effect the implementation of the research project is the future development of the current economic and financial crisis. Does the crisis change the image of Asia or individual Asian countries in Europe? If so, how? Whereas an overly simplified view of the EU held by Asians is potentially detrimental to the EU's image and influence in Asia, the same holds true for a simplified view of Asia held by Europeans. The research project aims to provide policy-relevant analysis, advice and recommendations on the basis of the empirical findings. In terms of accessibility, the research data will be shared freely online to promote key research on the role of perceptions in Asia-Europe relations.

## Research methodology

The overall research methodology of the Asia-Europe Perception Project differentiates between the national and regional level both on the European and Asian side, as well as four image levels and three perception levels (see Bersick 2010b; Holland/Chaban 2007). The study measures the image and attitude of Europeans towards Asia on three perception levels over a time period of 12 months. The research project is to systematically survey the image of Asia, of individual Asian countries, regional organisations and of ASEM as created and disseminated by public discourses within the EU.<sup>2</sup> In each location, the study follows an identical methodology involving three research instruments: (1) a public opinion survey; (2) a media analysis, and (3) key stakeholder/elite interviews. Due to the large size of Europe-ASEM, practical and methodological considerations made it necessary to develop a representative subset of sample countries. This sample includes eight EU member states, namely Austria, Belgium, Denmark, France, Germany, Italy, Romania and the United Kingdom.

Results of the media analysis are being published here below for the first time. The media analysis consists of a three-month analysis of Asian representation in the eight member states' national mainstream press and prime television news broadcasts on a daily basis (from 1

September 2010 to 30 November 2010). The methodology of the media analysis consists of a combination of quantitative measures and qualitative measures. A quantitative measure is content analysis, which is an effective research measure that allows for comparing media items with the help of key words, including Asia, Asian, ASEM, ASEAN and APEC. The data analysis makes use of qualitative discourse analysis by aiming to answer the following questions:

- How visible is Asia in the European media?
- Is Asia being reported on as an actor in the context of a third party?
- Are Asian regional organisations being reported on as an actor in the context of a third party?
- What is the volume of the media coverage of Asia in Europe?
- Which Asian actors are seen as major, secondary and minor actors?
- Which sources of Asian news stories are used by the European media?
- How is Asia portrayed by the European media? How is it evaluated?

The data presented on ASEM visibility is embedded in the broader research interest of the project. The visibility of ASEM in the European news media was measured by counting the frequency of the use of the key word ASEM or Asia-Europe Meeting. The qualitative measure of frames is used to further facilitate the analysis of how the various media in the different EU member states interpret ASEM. The methodological framework for the research looks at three media outlets in each location: 1) one popular reputable national daily newspaper with the highest readership, 2) one popular national daily, and 3) the most popular TV news broadcast. An additional aspect of the media analysis is the inclusion of a EU-level media analysis (see Table 5.1).

### **ASEM visibility in the European news media**

The visibility in terms of news volume is an important indicator of media attention. It is indicative of the degree of importance that is given by the news media to an institution, its policies and – as in the case of ASEM – its summits.

Table 5.2 shows a first quantitative analysis of the data focusing on the absolute number of news items referring to Asia and ASEM in each location as well as the total and the percentage of ASEM-related news items relative to Asia-related news items.

The small number (113) of ASEM-related news items, which made up only 4.06 percent of the total media coverage of Asia-related news, points to a particular media attention deficit. Over the three-month time span of the media analysis, only the French and Belgium media pub-

**Table 5.1** *European media outlets monitored*

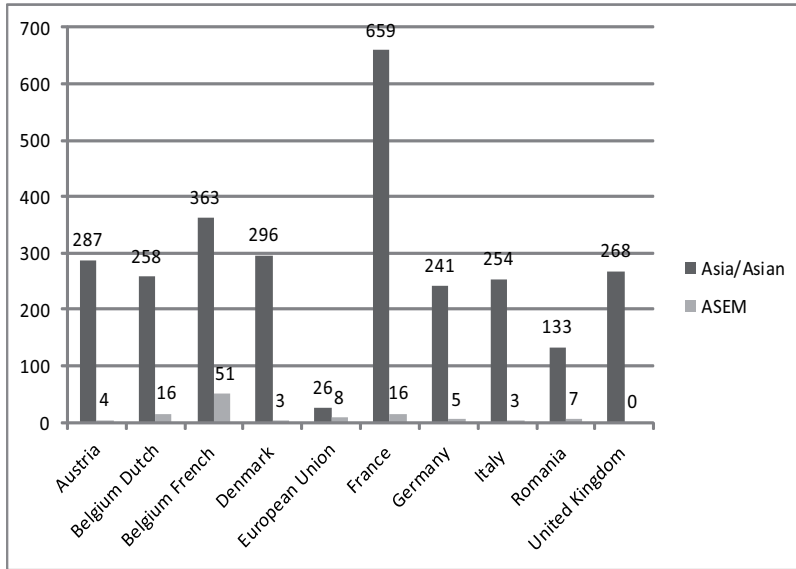
	<i>Daily Newspaper</i>	<i>Tabloid / 2nd Daily Newspaper</i>		<i>TV Primetime News</i>
Austria	Der Standard	Kronenzeitung	ORF2	20 min/ 7:30pm
Belgium (F)	Le Soir	La Libre	RTBF	30 min/ 7:30pm
Belgium (D)	De Standaard	De Morgen	VTM	30 min/ 7:30pm
Denmark	Jyllands Posten	Ekstra Bladet	TV2	30 min/ 7:00pm
France	Le Monde	Le Figaro	France2	30 min/ 8:00pm
Germany	Süddeutsche Zeitung	BILD	Tagesschau/ ARD	15 min/ 8:00pm
Italy	Corriere della Sera	Il Giornale	TG1	30 min/ 8:00pm
Romania	Adevarul	Libertatea	Observator/ Antena-1	1 hour / 7:00pm
UK	The Daily Telegraph	The Daily Mail	BBC	30 min/ 6:00pm
European Union	European Voice*		Euro News	30 min/ 7:00pm

\* European Voice is a weekly newspaper.

lished a double-digit number of articles that dealt with ASEM (see Table 5.2 and Figure 5.1). On the one hand, it is remarkable that, in Belgium alone, 67 articles were published while another country with a comparable population size like Austria only produced four. On the other hand, the case of Belgium is a special one: the EU's headquarters is located in the Belgian capital, and Belgium's national media would have a vested interest in covering domestic events that happen in their own country, be it at the national, international or supranational level. Moreover, ASEM 8 took place in Brussels, which will have increased the interest of the Belgian media (not even taking account of the fact that they will have certain advantages when it comes to technical and human resources on-site). And finally, the fact that there are twice as many media outlets to serve both official languages in Belgium is another driving factor.

**Table 5.2** *Number of Asia- and ASEM-related news items*

<i>Location</i>	<i>Asia/Asian</i>	<i>ASEM</i>	<i>ASEM (%)</i>
Austria	287	4	1.39%
Belgium (Dutch)	258	16	6.20%
Belgium (French)	363	51	14.05%
Denmark	296	3	1.01%
France	659	16	2.43%
Germany	241	5	2.07%
Italy	255	3	1.18%
Romania	133	7	5.26%
United Kingdom	268	0	0.00%
European Union	26	8	30.77%
TOTAL	2785	113	4.06%

**Figure 5.1** Absolute number of news items on Asia and ASEM per location

It is a remarkable result of this analysis that the media in three of the four most populous and arguably Asia-relevant sample countries – namely Germany, Italy and the UK – produced a rather meager output of ASEM-related articles. And other countries' ASEM coverage, such as Austria's, was limited to brief reports about the ASEM summit. It seems that Germany in particular is more preoccupied with its own bilateral relations with single Asian countries, especially China. Very surprisingly, there has been no news coverage at all in the British media on ASEM-related topics. There was no mention in *The Daily Mail*, *The Daily Telegraph* or on BBC news on TV, even though the Asia-related news articles in the period of ASEM 8 were dominated by economic topics involving the British economy. Recurring topics were the British national debt and Britain's business with emerging Asian nations such as China and India. Further country-specific analysis of the data collected will be published in the course of the research project and should contribute to explaining in detail the visibility pattern of ASEM in the European media.

As ASEM is considered by its participants to be a major platform of EU-Asia relations, the results of the media analysis reveal an alarming media attention deficit. Its gravity becomes particularly apparent when comparing the absolute number of Asia-related news items with the absolute number of ASEM-related news items (see Figure 5.1). The ratios of 659:16 in France, 241:5 in Germany and 268:0 in the UK clearly sug-

gest that, for the time being, Asia-related topics are largely delinked from ASEM affairs in the European media. It is telling that the EU media forms the only exception. The ratio of 26:8 is indicative of a perception of ASEM as an inter-regional institution as opposed to that of a summit event, which mainly provides the opportunity for enhancing bilateral state-to-state relations. The institutional asymmetry within the inter-regional relationship and the question whether relations between the European and the Asian side of ASEM derive their actual and potential importance from the bilateral state-to-state level or the inter-regional level form part of an explanation of the visibility pattern (see also chapter 2). Further research within the ASiE project will contribute to developing policy recommendations on how best to reduce ASEM's visibility deficit in the European media.

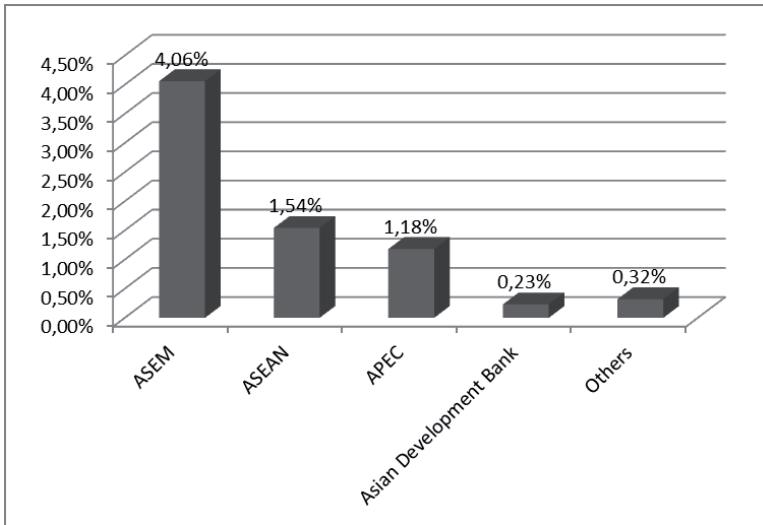
The data analysis revealed an increase in attention in the news media towards ASEM seen in almost all the newspapers that were monitored. The peak took place around the time of ASEM 8 in Brussels, which clearly shows the interest the media had in the summit. Compared with other Asian summits that took place during the three-month time period of the media analysis, such as the ASEAN or the APEC summit, ASEM 8 was by far the most visible one in the European media. From a total of 2784 Asia-related media outputs, 113 dealt with ASEM affairs, slightly more than 4 percent (see Table 5.2). Of this 4 percent, 12.39 percent were TV features broadcast either on the days of the summit or on the two following days at the latest.

At the same time, ASEM coverage ranks first in the media analysis (4.06 percent) among all Asian regional institutions, followed by ASEAN (1.54 percent) and APEC (1.18 percent), even though these two regional organisations also held summits during the survey period (see Figure 5.2). Other organisations such as the Asian Development Bank (ADB), the EAS, or free trade regimes like the East Asian Free Trade Area (EAFTA), the Comprehensive Economic Partnership in East Asia (CEPEA), the Trans-Pacific Partnership (TPP) or the Free Trade Area of the Asia Pacific (FTAAP) were only mentioned once – all in the French press. A further difference in the visibility of ASEM was the timing: while ASEM-related articles were remarkably clustered around the time of ASEM 8, ASEAN and APEC were mentioned throughout the time span of the analysis, gaining only somewhat more attention at the time of their summits.

Measuring ASEM's visibility through the volume of media coverage alone can only provide partial information about ASEM's image in Europe. According to Chan (2010), it is necessary to go beyond policy statements and probe further into actions and issues in order to assess the visibility and perception of an actor or an institution in international politics. One indicator (among a bundle that was developed for the pur-



**Figure 5.2** *Media output on ASEM and Asian regional institutions relative to over-all Asia-related news coverage*



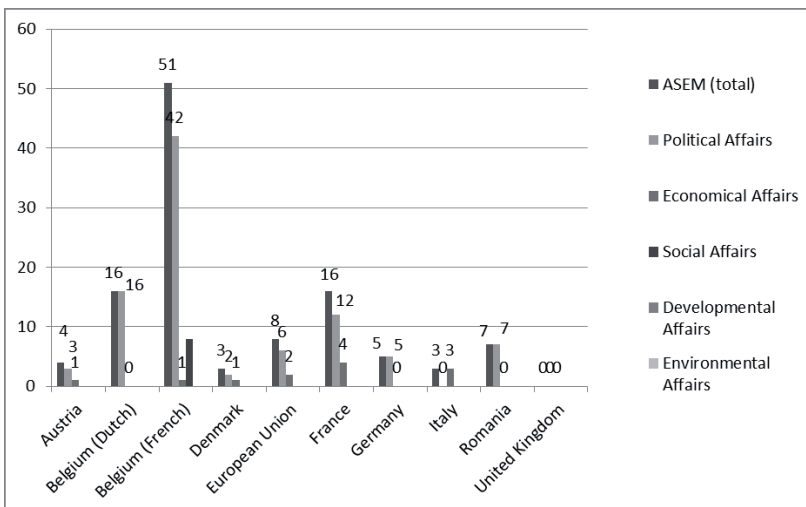
pose of this project) is the notion of a frame to categorise how ASEM was being presented and thus perceived by the media.<sup>3</sup> The methodology used a five-fold typology that allows for coding whether ASEM was presented as a political, economic, social, environmental and/or developmental actor. The following table shows the framing of ASEM in the European media.

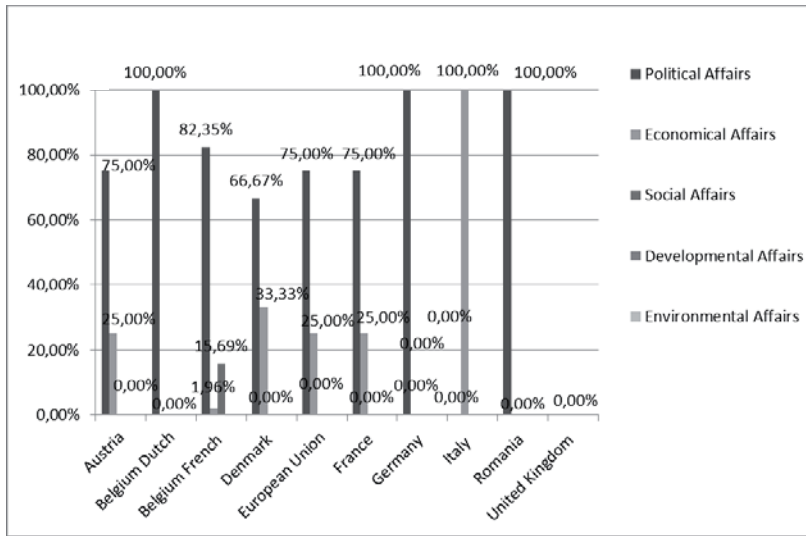
**Table 5.3** *Framing of ASEM in the European media*

<i>Location</i>	<i>ASEM (total)</i>	<i>Political Affairs</i>	<i>Economic Affairs</i>	<i>Social Affairs</i>	<i>Developmental Affairs</i>	<i>Environmental Affairs</i>
Austria	4	3	1	0	0	0
Belgium (Dutch)	16	16	0	0	0	0
Belgium (French)	51	42	1	8	0	0
Denmark	3	2	1	0	0	0
France	16	12	4	0	0	0
Germany	5	5	0	0	0	0
Italy	3	0	3	0	0	0
Romania	7	7	0	0	0	0
United Kingdom	0	0	0	0	0	0
European Union	8	6	2	0	0	0

The results of the media analysis reveal an overwhelmingly consistent picture, with 93 news items framing ASEM as a political actor, followed by 12 news items that frame ASEM as an economic actor (see Table 5.3 and Figure 5.3). The only other field in which ASEM seemed to be noticed was social affairs, which includes topics belonging to research and education (8 news items). There is no media output that sees ASEM as a developmental or environmental actor. Broken down to the European level, the EU media outlets focused on political (6 items or 75 percent) and economic affairs (2 items or 25 percent) (see Figure 5.4). Among the EU member states, the French-speaking media of Belgium, which delivered the highest volume of ASEM-related news (51 items), frame ASEM mainly as a political actor (42 items or 82.35 percent), with far less coverage framing ASEM in economic terms (1 item or 1.96 percent). However, 15.69 percent dealt with social affairs (8 items). Here, the highest share of news items coincides with the only case that does frame ASEM in social terms. Both the Dutch-speaking media of Belgium and the Romanian media outlets see ASEM as a purely political actor without any exception. The French media frame ASEM in political (12 items or 75 percent) and economic (4 items or 25 percent) terms, as is also the case in the Danish press, which has the lowest output volume together with Italy apart from the UK, which had no ASEM coverage at all. The Danish media frame ASEM in political (2 items or 66.6 percent) as well as economic terms (1 item or 33.3 percent). German media outlets frame ASEM in purely political terms (5 items). By contrast, the Italian press perceives ASEM in purely economic terms (3 items).

**Figure 5.3** Framing of ASEM in absolute numbers per location



**Figure 5.4** Framing of ASEM in percentage per location

## Conclusion

A first analysis based on the empirical data of the ASiE research project reveals key quantitative and qualitative findings.

The differences in the perception of ASEM affairs throughout the eight EU member states that form the sample set of the media analysis are remarkable. However, some general tendencies remain: in all cases, about 90 percent of the share of ASEM-related articles was published around the time of ASEM 8, which took place in Brussels on 4 and 5 October 2010. Consequently, the week before and after the summit was the time span with the best coverage on ASEM-related articles, with very few random articles appearing before or after those two weeks. In comparison, articles referring to other Asian regional institutions were not released in such a clustered time span but instead were spread out over the whole period of media observation. This was despite the fact that the APEC and ASEAN summits took place during our survey period – the APEC summit on 13 and 14 November 2010 in Yokohama, and the 17<sup>th</sup> ASEAN summit from 28 to 31 October 2010 in Hanoi.

The analysis of the data on ASEM's framing shows that ASEM is perceived mainly as a political actor. Furthermore, there seems to be a lack of interest in ASEM affairs apart from the actual ASEM summits: there was very little coverage of ASEM that was not related to ASEM 8. Even though the summit was visible in the European news coverage, general ASEM affairs lacked visibility.

The results of the media analysis demonstrate a media attention deficit and the need for ASEM to raise its visibility in Europe. It is highly probable that if the ASEM summit had not taken place, the volume of ASEM-related media output would have been far less and the visibility of ASEM correspondingly low. ASEM coverage in countries such as Italy or Denmark was only related to the ASEM summit in Brussels. In the case of the UK, there was no ASEM-related coverage at all. These results are indicative of a communication deficit that reaches deeper than the need for reform and adjustment of ASEM's working methods (see Vanderkendelaere in this volume). For ASEM to increase its visibility and to establish an adequate image, more understanding for the need to improve communication in Asia-Europe affairs will have to be generated among the European – and ultimately Asian – public. Such a strategy would include the dissemination of knowledge, as was suggested by the Connecting Civil Society Conference 4 (CCS4) which took place immediately following the ASEM summit in Brussels. It stressed the need to advance inter-regionalism and regional integration and to create an Asia-Europe Knowledge Community that enhances mutual understanding by facilitating the establishment of an ASEM network of think tanks.

## Notes

- 1 In this chapter, the regions of Europe and Asia are defined according to the participation pattern of the Asia-Europe Meeting (ASEM) process. ASEM has evolved into the central platform for communication between Asia and Europe. Currently, ASEM consists of a total of 48 partners: 28 partners on the European side and 17 partners on the Asian side plus three members – Australia, New Zealand and Russia – that belong to a temporary third category, which leaves the regional assignment for the time being open. ASEM brings together Austria, Belgium, Brunei, Bulgaria, Cambodia, China, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Italy, Japan, Laos, Latvia, Lithuania, Luxembourg, Malaysia, Malta, Mongolia, Myanmar, the Netherlands, Pakistan, the Philippines, Poland, Portugal, Romania, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Thailand, United Kingdom, Vietnam, the ASEAN Secretariat and the European Commission. (<http://www.aseminfoboard.org>)
- 2 An image is a reference to some aspect of the world that contains within its own structure and in terms of its own structure a reference to the act of cognition that generated it. It must say not that the world is like this, but that it was recognised to have been like this by the image maker, who leaves behind this record: not of the world, but of the act. See Harold Cohen: What is an Image? <http://crca.ucsd.edu/%7Ehcohen/cohenpdf/whatisanimage.pdf>.
- 3 The Asia Europe Perception Project follows the definition of framing suggested by Robert Entman. He claimed framing to be the 'selection of some aspects of perceived reality to make them more salient in a communication text, in such a way as to promote a particular problem definition, causal interpretation, moral evaluation and/or treatment of recommendations' (Chaban/Holland 2007: 34).



# **Financial and Economic Governance**



## 6 IMF: The Road from Rescue to Reform

*J. Thomas Lindblad*

The times are changing for the International Monetary Fund (IMF). In earlier days, when an IMF programme met with failure, the IMF simply blamed the ineptitude of the host government and got away with it (Sachs 2005: 74). That is no longer possible. Today, the IMF also has to account for its own actions and possible shortcomings. During the last decade or so, circumstances have compelled the world renowned institution to venture on the path of reform. Corresponding initiatives are fully endorsed by ASEM, as expressed notably at the ASEM 8 summit in Brussels on 4 and 5 October 2010 (ASEM 2010: 3). This chapter analyses the present quest for reform at the IMF and ASEM's role within it. It pays particular attention to the lessons drawn from the Asian financial crisis in the late 1990s.

The IMF was conceived in July 1944 and inaugurated in March 1946 as the twin of the World Bank within the institutional framework underpinning the Bretton Woods system of international monetary regulation. The general aim was to promote worldwide economic stability as laid down in six fundamental articles of agreement pertaining to international monetary cooperation, a balanced growth of international trade, stability in foreign exchange markets, the multilateral system of payments, the funding of corrections to maladjusted balances of payments and, finally, the alleviation of disequilibria in world money markets (IMF 2006: 25). The fifth article has attracted the most attention and criticism, since it enables the IMF to extend large rescue packages to individual members. Since 1946, the number of signatories accepting the articles of agreement has increased from 38 countries to almost 200.

The Bretton Woods system collapsed in 1971, but its institutions survived. In the mid-1970s, developed countries such as the United Kingdom and Italy did receive financial aid from the IMF, but thereafter recipients were for a period of several decades almost exclusively found among developing countries. The IMF played a key role in resolving debt crises in Latin America in the 1980s, only getting involved in Asian economies on rare occasions such as with Turkey and the Philippines. Then came the Asian crisis of 1997/98 with large-scale rescue packages extended to the three most severely hit countries: Thailand, Indonesia and South Korea. Brazil followed in 1998/99 but after that it



became quieter around the IMF. Between 2000 and 2007, there were scarcely any interventions by the organisation. Annual IMF lending fell sharply, from \$ 80 billion in 2000 to \$ 16 billion in 2007 (*Washington Post*, 24 May 2008). Most countries affected by the worldwide subprime crisis in 2008/09 did not need to turn to the IMF for help. Therefore, during the initial years of the present recession, IMF intervention was confined to smaller countries such as Armenia, Georgia, Hungary, Latvia, Ukraine and Pakistan. A return to large-scale operations only came with the recent packages, offered jointly with the European Union (EU), to help Greece and Ireland get out of their current financial predicaments (Katsimi/Moutos 2010).

In order to understand reform zeal at the IMF, we need to look back on the discourse in the wake of the large-scale interventions of the late 1990s. The heated discussions occasioned a great deal of soul-searching at IMF headquarters, which has since resulted in a wide range of reform measures. These three topics – discourse, soul-searching and reform – are discussed below.

### **From Tequila to Asia**

The sudden devaluation of the Mexican peso in December 1994 caused large-scale capital flight and a subsequent huge deficit in Mexico's balance of payments. The IMF stepped in and, together with the US government, offered a rescue package of \$ 50 billion, of which the IMF supplied \$ 17.8 billion. The current account of the external balance recovered, but national income fell by 6 percent in 1995, and rapid inflation continued into 1996 (Boughton 2000; Krugman 2008: 30-31, 42). The Mexican crisis, remembered among economists as the Tequila crisis, is important because it gave rise to the first fundamental discussion of IMF's methodology in crisis management.

Generally, the IMF offers assistance on condition that the recipient country pursues an economic policy in line with the Washington consensus, a term usually applied to the common ideological outlook of three institutions whose offices happen to be located within a stone's throw from one another in downtown Washington: the IMF, the World Bank and the US Treasury. Ten so-called principles were formulated in 1987/88 and convey the essence of the Washington consensus. They are as follows: prudent fiscal discipline, removal of government subsidies for purposes other than social and basic physical infrastructure, an equitable system of taxation, market-based interest rates, market-determined exchange rates, trade liberalisation, liberalisation of capital flows (especially foreign direct investment), privatisation of state-owned enterprises, overall deregulation in favour of the operation of market forces

and, finally, legal protection of private property rights (Sheng 2009: 110). Apart from adherence to these principles of economic policymaking, IMF rescue packages are likely to come accompanied by specific conditionalities or strong recommendations with regard to structural reform. Interestingly, however, no such conditionalities were imposed in the Mexican case. As a result, the badly needed restructuring of the banking sector in Mexico only took place in 1999, several years after the Tequila crisis. The IMF was charged with promoting moral hazard, or risky behaviour, under the assumption that there would be a bailout anyhow. Some American Congressmen later even insinuated that the IMF paved the way for the Asian crisis by being so lenient in Mexico (Dreher 2006; Dreher/Walter 2010).

The 1997 crisis hit Asia like a bolt from a clear sky. Within six months after the floating of the Thai Bath on 2 July 1997, a whole host of countries in Southeast and East Asia moved from being fast-growing 'miracle' economies to nations in acute financial distress. Agreements with the IMF were signed in Bangkok on 20 August, in Jakarta on 31 October and in Seoul on 23 November 1997. The aggregate rescue package to Thailand, Indonesia and South Korea was unprecedented, amounting to a staggering \$ 110 billion, of which the IMF alone supplied \$ 34.1 billion or one-third of the total (Sheng 2009: 114). By the end of the year, it was apparent that the IMF could not possibly go on extending such huge packages. In all cases, there were strings attached, with the IMF urging immediate and far-reaching reform of the financial sector. In Indonesia, actual payment of the rescue funds was slowed down because of a lack of confidence in the willingness of the Suharto administration to undertake reform. Agreements with the IMF were renegotiated several times, and the full amount was only paid out in mid-1998 after Suharto had stepped down and was succeeded by B.J. Habibie as president of Indonesia. All three recipients have since repaid their loans to the IMF.

Hardly any event in economic history has so quickly become the subject of heated discussion as the Asian financial crisis. An early consensus emerged among leading economists that moral hazard, or implicit government support of banks and private investors, had combined with underregulated financial institutions in causing 'bubble' economies with too much indebtedness relative to assets (Krugman 1998; Berg 1999). The idea here was that the governments in the affected countries should have supervised their financial sectors better. Others, by contrast, argued that governments had done too much. Some, notably former World Bank chief economist Joseph Stiglitz, put the blame on the excessively rapid liberalisation of the financial sector in Southeast and East Asia during the decade preceding the crisis. By this logic, the IMF could be held partly responsible for the onset of the crisis. Stability and

confidence could only be reestablished by finding the 'right' regulatory regime for the financial sector (Stiglitz 2003: 90). In a more extreme version, the blame for advocating dramatic financial deregulation was coupled with a fully fledged conspiracy theory implicating not only the IMF and the World Bank but also the American and British treasuries and even bankers in the City of London (Wade 1998: 1545-1547).

The conditionalities imposed by the IMF on the governments of Thailand, Indonesia and South Korea immediately became the subject of controversy and criticism. Apparently, the IMF deliberately did not offer rescue packages of sufficient volume to resolve the problems of the crisis-affected economies. The money was supposedly enough to prevent large-scale capital flight and create a situation conducive for structural reform. The loans accompanied measures of economic policy such as harsh austerity in fiscal policy, less government spending, higher interest rates and allowing insolvent banks to fail. Some of the measures backfired. Tight budgets were obviously incompatible with rising expenditures on welfare and poor relief at a time of declining tax revenues. Access to credit for new investment was curtailed by higher interest rates and also by higher minimum capital requirements forced upon banks. In Indonesia, closing the 'worst' banks did not result in the intended restoration of confidence but instead had the opposite effect: an immediate large-scale capital flight. An early critical voice was that of Eisuke Sakakibara, Japan's deputy minister of international finance, who urged Asian governments not to let domestic banks fail, arguing that this was not customary in developed countries (Wade 1998: 1538).

IMF intervention became highly unpopular, especially in Indonesia and South Korea. Sentiments of economic nationalism surfaced among the general public, and leading economists in the region became increasingly outspoken in their criticism. A Japanese initiative to establish an Asian Monetary Fund endowed with \$ 100 billion was instantly torpedoed by combined opposition from the IMF, the US government and the EU (Sheng 2009: 318). The Fund's tendency to prescribe the same medicine to all 'patients', regardless of individual circumstances, together with its insistence on a monopoly position in global crisis relief, fostered widespread resentment of the IMF in Asia. Sooner or later, the mounting external pressures had to evoke an internal discussion within the IMF itself.

### **A great deal of soul-searching**

The first major challenge for the IMF after the Asian financial crisis was the necessity to intervene in Brazil, where rapid inflation, rising wages and an ever larger debt service brought about an unmanageable

deficit in the government's budget. Brazil was struck by an acute payments crisis in September 1998, and a rescue plan was quickly drawn up by the G7 ministers. Yet this time, the IMF was put under greater pressure than before when implementing its rescue package. The US government insisted that the Brazilian currency, the Real, should not be devalued until after the presidential elections that took place in two rounds in the course of October 1998. Then the lobby of Brazilian manufacturers entered the scene trying to keep the peg with the dollar in order not to lose revenue when selling in the American market. In the event, the Real was only devalued in January 1999 (Sheng 2009: 422-423). If anything, the Brazilian episode demonstrated a steady loss of credibility on the part of the IMF.

One of the most severe points of criticism was that the IMF had exacerbated the Asian crisis; its policies had made things worse than they need have been (Stiglitz 2003: 90). The insistence on prudent fiscal policy was particularly misguided, as this policy failed to address the real problems. Instead, effective demand declined, which made it more difficult for the crisis-hit economy to stage a recovery on its own accord (Krugman 2008: 115-116). In the case of Indonesia, the policy of retaining a balanced budget indeed proved untenable in the face of rapidly increasing poverty. The IMF had unmistakably served as the lender of last resort in the world economy, but its policies had above all benefitted foreign creditors. This was reason enough to look critically at what the IMF was doing (Lee/Sin 2008).

The IMF was quick in going on the defense. In June 1998, a few months prior to the Brazilian crisis, a special issue of the IMF-sponsored journal *Finance & Development* appeared, largely devoted to countering the mounting criticism. Stanley Fischer, then Deputy Managing Director, wrote: 'The IMF is typically called in only in a crisis (...) [usually the] result of governments having been unwilling to take action' (Fischer 1998: 4). In other words, under circumstances of crisis and financial distress, it was only logical that one tried to shift the blame to the rescuer. Liberalisation and contagion were rigorously rejected as prime causes of the crisis itself, which was perceived as the outcome of overheating, pegged exchange rates, inadequate supervision, problems of governance and lack of transparency (IMF staff 1998). By implication, restrictive policies and structural reform were the appropriate measures to be taken. An additional argument was brought forward by John Lipsky, who from 2006 was serving as First Deputy Managing Director of the IMF. According to Lipsky, there had been an underestimation of regional linkages and capital flight, whereas too much importance was attached to the dollar peg. The damage and disorder of the crisis could thus have been avoided (Lipsky 1998).

In 2001, the IMF set up an Independent Evaluation Office. Two years later, in July 2003, a strikingly frank report was published analysing crisis management in Indonesia, South Korea and Brazil. The report admitted that a good bank restructuring strategy had been missing in Indonesia and also that the IMF had given insufficient attention to corruption and cronyism. The inherent risks of a rapid liberalisation of the capital account had been inadequately appreciated in South Korea. In all three countries covered by the report, surveillance by the IMF had had very little impact on domestic economic policies. An excess of conditionalities had even on occasion led to a non-implementation of the rescue package – e.g. in the case of the lack of cooperation by the Suharto cabinet in Indonesia in late 1997 and early 1998. The report also admitted that the IMF had failed to foresee the crisis because the weaknesses observed in the financial sector had not been taken seriously. Finally, the IMF had not convincingly communicated its intentions and policies to the market (Independent Evaluation Office 2003: executive summary). Reactions to the report spoke of an urgent need for reform at the IMF.

Three lessons from the Asian crisis were neatly summarised by then Managing Director Rodrigo de Rato. First, the IMF had to guard against disruptions in international capital markets. For this purpose, new instruments were developed in the vein of estimating capital flow risks. Second, the IMF realised that the forces of contagion in today's world economy are quick and damaging. Since then, regular surveillance of members' economies by the IMF staff also includes a balance sheet analysis. Third, the IMF understood that it was crucial to listen more carefully to members when implementing rescue packages, in particular with regard to matters of social stability as an auxiliary priority next to economic growth (De Rato 2007).

However, despite such concrete measures of reform, the fundamental question about the role and responsibility of the IMF in the world economy today remains a matter of dispute. The IMF does not have the authority to function as central bank of the members' central banks. It also lacks the resources and credibility to serve as a lender of last resort. The critical examiner thus wonders, what is then the Fund's role? A few examples may suffice to illustrate the current discourse. Mervyn King, Governor of the Bank of England, thinks that the IMF should 'keep an eye on global externalities' or, in other words, offer expert advice on the external risks of monetary policies (King 2006). Jean-Claude Trichet, President of the European Central Bank until October 2011, is less optimistic, arguing that the existing setup of the IMF cannot cope properly with today's rapid change (Trichet 2007).

The subprime crisis began in the real estate sector of the US economy in 2007 and spread to the world economy in the course of 2008.

Despite claims to the contrary, the IMF does not seem to have anticipated the crisis, as indeed holds true for the vast majority of observers. As the crisis unfolded, the IMF did come up with estimates of the huge damage done. In April 2008, the IMF's Global Financial Stability report cited worldwide losses of credit of a colossal magnitude: \$ 945 billion (Sheng 2009: 425). Throughout the years 2007-2009, the IMF remained somewhat on the sidelines observing the enormous rescue packages initiated by the US and EU governments; the IMF was, as mentioned above, only directly involved in packages given to a number of smaller economies. Still, vigorous critics of the IMF did not keep quiet. Joseph Stiglitz accused the IMF of having contributed actively to causing the subprime crisis by its hard and consistent push for the liberalisation of capital markets since the 1980s (Stiglitz 2010: 214-215).

When the IMF again entered the stage as a large-scale supplier of rescue funds in 2010, the situation was very different from the one that had prevailed during the Asian crisis. The crises in Greece and Ireland bore a greater resemblance to the debt crises in Latin America during the 1980s when government and not private business was the foremost culprit. Lavish deficit spending had to be curtailed, which clearly necessitated restraint in fiscal policy and improvement of governance. In addition, conditions imposed on the governments to be rescued were subject to reconciliation with the EU and the priorities of EU economic policy. This was an entirely new situation for the IMF. The time horizon is still too short to be able to pass judgment on the IMF's performance in Europe during the present recession. Time will also tell what the outcome was of several years of soul-searching concerning the tasks, responsibilities and methods of the IMF.

## **Zeal for reform**

One of the most sacred traditions in the institutions inherited from the Bretton Woods system of international payments concerns the prerogatives in appointing top executives: always an American as President of the World Bank, always a European as managing director of the IMF. Since its inception, the IMF has had ten managing directors, distributed as follows by country of origin: France 4, Sweden 2, and 1 each for Belgium, the Netherlands, Germany and Spain. The longest record of service is held by the Frenchman Michel Camdessus, managing director from January 1987 to February 2000, whose reign came to a conclusion in the midst of the soul-searching in the aftermath of the Asian financial crisis. Camdessus's immediate successor, Horst Köhler, who later became president of Germany, was the one most ardently pressured to instigate reform at the institution. His successor, the Spaniard

Rodrigo de Rato (in office from June 2004 to October 2007), assumed responsibility during what was arguably one of the quietest and inward-looking phases in IMF history, whereas the current top executive, the Frenchman Dominique Strauss-Kahn, has had to steer the IMF through the commotion surrounding the subprime crisis and subsequent recession.

Although getting the most publicity, the Independent Evaluation Office was not the only institutional innovation at the IMF in 2001. In that year, the Fund also created a new department, the Capital Markets Department, with the specific task of monitoring development in global finance. This department was later merged with the Monetary Affairs & Exchange Department and the subsequent Monetary & Capital Markets Department is at present responsible for producing half-yearly financial stability reports. These reports apply standards of economic vulnerability that are successively improved by the Financial Stability Forum, whose mandate from the G7 ministers of finance and central bank governors dates from February 1999.

Already in 1999, when Camdessus was still managing director, country surveillance by the IMF was formalised in a format developed jointly with the World Bank, labeled the Financial Sector Assessment Program (FSAP). These programmes provide a comprehensive review of the strengths and weaknesses of a member's financial system with the aim of improving resilience to external shocks. Between 2000 and late 2007, the IMF, together with the World Bank, conducted no less than 114 FSAPs. Yet it is worth noting that the largest member of the IMF, the United States, has not yet been subject to such a review of potential risks, whereas China and India were only added to the list at a very late stage. In total, the IMF counts 40 members in the Asia-Pacific region, but only about one in four has been covered by the FSAP initiative (Sheng 2009: 123, 352-354). There seems to be a strange incongruence between the origins of financial crises and the targets of IMF country surveillance.

More is at stake at the IMF than departmental innovation and reshuffling or the improvement of procedures. There is growing consensus that the quota distribution of voting power at the IMF is hopelessly outdated and reflects the situation in the world economy at the conclusion of the Second World War. Just to give one example, Belgium has a quota of 2.13 percent, almost as much as Brazil and Mexico taken together (2.61 percent) or even China (2.94 percent). The G20 summit in Seoul on 11-12 November 2010 accepted a proposal for quota reform at the IMF in order to 'adequately reflect the relative weight and responsibilities of the IMF members in the world economy'. This proposal was endorsed at the 2010 ASEM summit (ASEM 2010: 3). However, the immediate target is modest: a shift of 5 percent from overrepresented

countries like Belgium to members that are obviously underrepresented such as China and Brazil.

As mentioned at the outset of this article, ASEM 8 at Brussels in October 2010 strongly endorsed IMF reform, especially with respect to issues of governance. This includes the procedure for the appointment of top executives, staff diversity at senior and mid-level positions, and the size and composition of the Fund's executive board. According to the Brussels declaration of ASEM 8, top executives at the IMF should be selected in an 'open, transparent and merit-based process' (ASEM 2010: 3). The time has come to move beyond a situation such as in 2000 when the US government vetoed the first candidate of the German government, Caio Koch-Weser, in favour of the second one on the list, Horst Köhler. It is also no longer inconceivable that the next managing director of the IMF comes from another part of the world than the EU.

The endorsement of IMF reform by the ASEM members stems from a genuine concern about the vulnerability of both Asian and European economies to the vicissitudes of international capital markets. The ASEM partnership therefore involves financial cooperation through the sharing of information and dialogue. The aim of this cooperation was laid down at ASEM 5 in Hanoi 2004, with the damage and distress of the Asian financial crisis still fresh in peoples' memory. The overall aim is 'a sound, sustainable and resilient financial architecture in order to cope with potential financial shocks' (ASEM 2004: 2). At ASEM 8, it was officially acknowledged that the integration of financial markets in Asia and Europe still left much to be desired. There is considerable scope for an enlargement of trading, investment and financial services between the two regions (ASEM Chair 2010: 3). In other words, the ulterior ambitions of ASEM and the IMF coincide, which explains why the former is so interested in the reform of the latter.

## Conclusion

On 15 January 1998, President Suharto signed the second agreement between the IMF and Indonesia following the IMF's outspoken irritation at the slowness of the Indonesian government in implementing the Fund's policy recommendations. The picture of the ceremony showed the Indonesian president seated with bent head while Michel Camdessus was standing haughtily with folded arms looking on (Van Dijk 2001: 105). This image, which was widely televised at the time, unintentionally captured both the IMF's excessive confidence in carrying out its task in accordance with the Washington consensus and the



increasing resentment of recipient countries of policies imposed by the IMF as a condition to get needed rescue money.

The analysis of the historical background to the current reform zeal at the IMF conceives the Asian financial crisis as a turning point. Did the IMF, by consistently promoting the liberalisation of international capital flows, contribute to causing financial crises, in Asia in 1997/98, Brazil in 1998/99, even worldwide in 2008/09? Did IMF's application of a standard recipe for domestic reform of the financial sector make matters worse? Whatever the answers to such questions, heatedly debated among economists since the late 1990s, one outcome was certain. The IMF had to undergo reform. A great deal of internal soul-searching took place during a period when the IMF played a less conspicuous role in the world economy than before. Reform has not been particularly quick, but things are clearly changing at the IMF. From the perspective of Asia-Europe cooperation, the IMF seems to be moving in the right direction. ASEM 8 and the ASEM process can make a sustainable contribution to IMF reform by continuing to endorse and support reform measures at the IMF that would enhance the institution's transparency and responsiveness to changing conditions in the world economy.

## **7 In Search of a New Global Financial Architecture: China, the G20 and ASEM**

*Jörn-Carsten Gottwald*

The economic crisis that hit the world of globalised finance in 2008 is profoundly changing the architecture of global governance. The United States and the European Union (EU) are facing enormous challenges in stabilising their financial markets. Asian economies faced the loss of their most important export markets. Global economic cooperation and regulation are at the top of the agenda of international relations. At ASEM 8 in Brussels in October 2010, ASEM leaders addressed the issue of global economic governance, publishing the Brussels Declaration on More Effective Global Governance. Europe, Asia and particularly the People's Republic of China (PRC) managed to agree to revise the global financial architecture on an ongoing basis.

While the mere fact that all members of ASEM put aside their differences and formulated a joint statement is remarkable in itself, the new role of the PRC in global regulatory reform is even more eye-catching. China has overcome the initially harsh fallout from the turbulence in global financial markets. Continuing to fulfill its role as the major growth engine of the world economy, its leadership is suddenly being thrust on to the centre stage of global governance. From the Chinese perspective, the financial crisis was a Western crisis that impacted an economy well-prepared to meet the challenge (Sun Mingchun 2009). It nevertheless brought out the imbalances and structural weaknesses of the PRC's integration into the world economy (Schueller/Schueller-Zhou 2009). Abroad, observers wonder if 'China [will] change the rules of global order' (Chin/Thakur 2010: 119) during this 'Bretton Woods moment' (Helleiner 2010: 619) of 'rising influence, rising challenges' (Overholt 2010: 21). The Chinese leadership is caught between, on the one hand, pride about its increased global influence and profile and, on the other hand, insecurity as well as anxiety regarding the implications of its new role as a 'responsible stakeholder' in global governance.

The financial crisis of 2008 exposed severe shortcomings in the global financial architecture 'known variously as neoliberalism, the Washington Consensus or the globalization consensus, centred on the notion that all governments should liberalize, privatize, deregulate' (Wade 2008: 5). The global response to the crisis has been overshadowed by the broader

issue of underlying norms and values. The so-called Beijing Consensus (Cooper Ramo 2004; Halper 2010), with its unique combination of high-speed export-led economic growth and authoritarian politics, is being discussed in the PRC as the Chinese model (*zhongguo moshi*, Yu Keping 2006) or Chinese way (Zhou Song 2010). This model adds a new dimension to the ongoing debate on how to understand China's new role in international relations: is China a threat to the pre-existing world order or a new contributor to transnational rulemaking? (Helleiner/Pagliano 2010). This debate has also raised the issue of Chinese leaders' perceptions of global governance and the transnational/inter-regional response to the crisis, and the compatibility of these perceptions with established Western thinking (Zhang Baohui 2010; Rosenau/Wang 2009; Beeson 2009; Chan/Pak/Chan 2008). The scepticism towards global governance is only gradually being replaced by a more proactive attitude (Buzan 2009; Zhu Liqun 2010; Gottwald/Duggan 2011), with potentially far-reaching consequences for the EU's relations with China and ASEM in particular (Bersick 2008). In this context this chapter argues that the ASEM summits in Beijing 2008 and Brussels 2010 highlight China's policy of gradually taking on a more active role in reforming the global financial architecture in close cooperation with its European and Asian partners.

### **The 2008 crisis and Sino-EU cooperation**

From the perspective of comparative government, the PRC has been aptly described as a learning, adaptive authoritarian system, with the state dominated by a Leninist party apparatus (Shambaugh 2008; Naughton 2008; Niquet 2009). Learning from its own history, from Western market economies and from the results of extensive experiments, the Chinese Communist Party has managed to strengthen its grip on the Chinese polity while at the same time introducing fundamental economic and social reforms (Brodsgaard/Zheng 2006; Heilmann 2008; Pearson 2007; Zheng Yongnian 2010). The global crisis that erupted in 2008 threatened the cornerstone of China's economic development, which is heavily dependent on exports and foreign direct investment. This has put the adaptive capabilities of the Chinese polity to the test, as there is no 'best international practice' in dealing with this unprecedented event. From late 2008, when governments in America, Europe and Asia were searching for an answer to the financial meltdown, China has also been drawn into the debate. The leadership in Beijing was caught unprepared and needed several weeks to develop a political reaction. In the end, it had to acknowledge that the 'globalization of the crisis requires a globalized response' (Bergsten 2008), even if

it included a revision of China's traditional role in international relations.

In the aftermath of the 1997/98 financial crisis in East Asia, China intensified its domestic reforms and developed a more supportive attitude towards regional cooperation in the context of the Chiang Mai Initiative.<sup>1</sup> However, the potential for Chinese leadership even at the regional level was perceived as limited (Hyeoung 2009: 453-455). Improvements in regional cooperation were the result of decreasing US opposition, a more proactive Japan and an evolving adaptation of China's political stance. The EU attempted to support these reforms. The integration of the PRC into the global order had long been a fundamental objective of the EU's China policy. At the same time, the EU sought to understand China's emerging financial markets better through several forms of cooperation, including a roundtable on financial services underpinned by a bilateral project from 2002 to 2005 (EU 2005). While there is little evidence of substantial outcomes emerging from this project beyond a deeper mutual understanding, these efforts facilitated the emergence of a network of regulatory experts that became heavily involved in coordinating the crisis management.

The EU-China dialogue on macroeconomic and financial regulatory issues, one of several sectoral dialogues, was initially dominated by Europeans' perception that they were helping to introduce European norms and standards to an emerging China. It was launched in 2004, with the first meetings held in Brussels in 2005 followed by more meetings in Beijing the following year. The project aimed to facilitate an exchange of views between the two sides meant to support the improvement of the regulatory framework for financial services in China. Europe, which was itself grappling with the challenges of creating a single market for financial services from 1998 onwards, was not on the agenda (EU 2010). The roundtable led to several follow-up projects in various areas of EU-China relations. These meetings facilitated the emergence of networks of regulators, market participants and politicians. That proved instrumental in the first efforts to coordinate crisis response at the ASEM summit in Beijing 2008. The bilateral dialogues and exchanges, along with training programmes for bankers and regulators, also paved the way for international careers for leading experts from the PRC. While Europeans had long established claims to top positions in the Bretton Woods organisations, their Chinese counterparts were only beginning their ascendance in the world of global finance. Thus, the asymmetry in the objectives of the sectoral dialogue on financial services could be used by the Chinese side for the long-term goal of improving their understanding of global governance and preparing Chinese candidates for top international posts.

When the financial crisis erupted in the US over the summer of 2008, the complex multi-level polity of the EU lacked a clear central authority to formulate a political response. Most member states initially perceived the crisis as a failure of Anglo-American capitalism with only limited effects on continental Europe. Early calls by France for a European fund to stabilise the banks were rejected by the German government in blunt language (Proissl 2009). With the Commission treading cautiously, key member states such as France, Germany or the United Kingdom (UK) tried to agree on a joint agenda. Often enough, though, they failed to build a consensus, as was the case with taxes on banks and the remuneration of managers. But the EU was able to support reforms to financial regulation, including the so-called 'Basel III' rules for banks and the supervision of cross-border activities. Germany and France closely coordinated their positions, which was expressed in a joint letter by the French president and the German chancellor (*Le Monde* 18 March 2009).<sup>2</sup> Despite efforts to coordinate a European stance, conflicts such as the sovereign debt crisis inevitably highlighted the deep divisions within the EU (Wills 2010). In those areas where the EU managed to identify common ground, it called for more stringent and comprehensive international regulation supported by measures of peer review and peer pressure. This followed the European approach of allowing members to veto issues of crucial significance but raising the bar for the use of these veto powers through public and peer pressure on any member openly opposed to the proposed policies backed by a majority. China was deemed to be an integral part of any future global architecture and therefore needed to be integrated more firmly into the organisations and procedures of global governance.

This constituted a tremendous turnabout from the rather hostile attitude taken earlier towards Chinese outward investment (Gottwald 2010). Suddenly, European leaders were welcoming China's policy of reasonable investments in Europe, announced in 2009 by Prime Minister Wen Jiabao in Berlin. Similarly, announcements of China's intention to buy the sovereign debt of struggling EU member states were greeted with much fanfare (*Frankfurter Allgemeine Zeitung* 28 January 2010). Premier Wen reiterated China's practical support in tackling the sovereign debt crisis and 'expected Germany to play a key role in and exert great influence on it' (Bi Mingxin 2011). Even the heated dispute over China's foreign exchange policy was kept in check within the partnership. This remained an unresolved issue between the two sides but was prevented from escalating into a major dispute. Europe found itself caught between the sharp criticism by the US of China's state-controlled exchange rate and calls from the PRC to develop an alternative to the US dollar as a global currency (Boschat/Horobin 2011). Striving to strike a balance between US and Chinese demands, French President

Nicolas Sarkozy conceded China's sovereignty in setting its foreign exchange policy, thereby confirming a key stance of the Chinese leadership in the global efforts to reform the international monetary system. With France taking over the presidency of the G20 in 2011, the European position on China became even more important. This explains Europe's decision to leave open confrontations with the PRC on its arguably undervalued currency to bilateral meetings between the US and Chinese representatives, while sticking to a carefully drafted line of arguments reminding nations of the need to let exchange rates express the differences in economic performance (*Süddeutsche Zeitung* 28 January 2011).

Under the current presidency of France in 2011, the G20 continues to seek a solution to the contentious issue of exchange rates. China failed to secure the cooperation of its BRIC partners (Brazil, Russia and India), as Brazil was one of the most outspoken critics of what the Latin American government considered to be the deliberate undervaluation of the Renminbi. China was less concerned with the push for coordinated structural reform in G20 member countries in spite of the PRC's general emphasis on national economic sovereignty. From the perspective of Chinese leaders, the PRC deserved a strengthened position as a result of its support for the global crisis response and rejected calls for taking on more responsibility by allowing its currency to appreciate, for example.

Even in one of the most controversial discussions, the PRC and Europe seemed to slowly develop common ground. While the PRC declared its exchange-rate regime to be a domestic issue not fit for consideration at the G20, it did take steps to accommodate calls for a change in its exchange-rate regime, allowing for an appreciation of the Chinese currency. Thus, the exchange rate nominally constituted an occasion where Chinese and EU leaders differed on the interpretation of intervening in domestic affairs by calling for a change in policies. At the same time, the carefully drafted statements of the two partners and the sequence of steps taken by the Chinese leadership highlight a careful assessment of interests and an incremental revision of its norms. In the end, an open conflict was prevented, and the issue was pushed back to bilateral US-China and US-EU talks.

## **The new G20**

With European support, the G20 was reinvented as the main forum for organising a global response to the financial and economic crisis. The first summit of the new G20 took place in Washington in 2008, convened by the outgoing Bush administration. Traditionally, China had

been sceptical about global governance, adopting international norms and standards only sporadically according to internal preferences (Walter 2010: 161-162). Thus, it came as no surprise when the Chinese leadership initially voiced its support for the global coordination of national responses but did not call for a new global governance. Instead, it announced just days before the summit got underway a RMB 4 trillion package to boost domestic demand (Xinhua 2008a) in order to sustain China's economic growth. This move was intended to signal China's efforts to support global economic growth and thus contain growing international pressure for a more active involvement in global governance (Niquet 2009: 5-8). At the same time, the Chinese central government loosened constraints on local government investments (Wu Guoguang 2010: 28) and ordered the state-controlled banks to facilitate cheap credit.

At the end of 2008 and the beginning of 2009, China used all its channels of bilateral and multilateral cooperation to define its policies. Issues of financial regulation steadily gained importance in Sino-European relations. The EU and China used the ASEM7 summit in Beijing to prepare a joint position for the G20 summit in Washington in November 2008. At ASEM7 summit, Wen announced his support for the EU position on regulating global financial markets, sending out a strong signal of European-Chinese cooperation and improved French-Chinese ties. According to the German government, coordination between the two sides proved to be surprisingly unproblematic. Ahead of the G20 summit in London in April 2009, both sides developed positions that were much closer to each other than the widening gap between the US on the one hand and Europe and China on the other.

In his speech at the Washington G20 summit in November 2008, President Hu Jintao stressed the need for close cooperation and a fundamental review of global rules. He called for fast and decisive action by national governments but within and according to their individual circumstances. Hu Jintao emphasised the special responsibility of the more advanced economies and warned against premature moves (State Council 2008). The US, the EU and emerging markets such as Brazil and India all expressed their clear expectations that the Chinese leadership would become heavily involved and support the response to the crisis through 'responsible investment' abroad. The Chinese media, however, focused on the country's potential new dominance, particularly in the economic sphere, in the emerging new world order (*Caijing*, 28 November 2008).

China's leaders hope to use the opportunity created by the financial crisis to further strengthen the country's reform policies and its integration into the world economy, including global governance (Sina.com 2009). The preservation of Chinese economic growth is considered to

be the most important contribution to global efforts to respond to the crisis (State Council 2009a). Global crisis management was pronounced to be the number one priority of China's Ministry of Foreign Relations for 2009 (Yang Jiechi 2009). The growing role of the G20, however, has stirred concerns about its impact on China's economic sovereignty. The establishment of a global banking regulator with authority over Chinese banks is deemed unacceptable (FT Online 2009). Instead, global governance reform was intrinsically linked with ongoing reforms at home. A deeper integration and a more pro-active attitude to the reform of financial regulation on a global scale should enhance the sophistication of China's domestic regulatory framework as well as open up attractive opportunities for outward investment (Qi Bao 2008). Based on the principle that every country should contribute according to its specific circumstances, China has called for an orderly and systematic reform of the financial system that should strengthen the involvement of emerging markets and developing countries.

### **Improving China's representation in the IMF**

The coordination of macro-economic policies became one pillar of the global crisis management that came out of the G20. The second pillar was the issue of how to improve the existing institutions of global financial governance in order to better hedge against future crises. China had long sought to be better represented at the IMF and the World Bank and was eager to follow up on earlier reform attempts. Furthermore, the transformation of the Financial Stability Forum (FSF) into the Financial Stability Board (FSB) saw the PRC joining a key organisation right at the start of its work. Both cases highlight the ambition of China's leadership to influence future rulemaking while being careful not to overcommit itself.

Reforming the IMF became one of the key issues for the new G20 in its attempt to reform global economic governance. China had joined the World Bank and the IMF late, drawing upon the institutions' expertise in the formulation of its reform policies in the 1980s as other developing countries did (Jakobson/Oksenberg 1990). After years of isolation, China was able to link up with a well established set of norms, ideas and policies through its membership in these Bretton Woods institutions. The IMF, however, suffered an 'identity crisis' (Truman 2005) as emerging countries grew increasingly frustrated with US and Europe's refusal to significantly raise their voting rights and board representation. Even after a careful reform proposal was launched in 2006, Chinese officials still deplored the insufficient voice given to poor and transition countries and the ability of the advanced countries



to overrule their concerns in important matters regarding IMF governance (Xinhua 2007). The IMF was pushed back into the centre of global governance by the 2008 financial crisis. The two main issues of internal reforms concerned the representation of countries on the IMF executive board and voting rights. Both were dominated by the Western powers of the post-World War II period and did not reflect the growing importance of Asian or Latin American emerging countries in the world economy. Negotiations on reforming voting rights dragged on for most of the first decade of this century. While the US supported from an early stage an increase in China's share, the large European states feared losing their permanent representation on the board and were reluctant to agree to any major revision. As late as 2006, China had fewer voting rights than the Netherlands and Belgium combined (see Lindblad in this volume). This underpinned Chinese claims that the IMF was 'dominated by the US, Europe and Japan' (Xinhua 2006). High-ranking officials repeatedly stressed the crucial importance of IMF reform for China's leadership in the context of the global crisis management (Wu Chong 2010).

Reforming the regulatory architecture of global finance became one of the main objectives of the global response to the crisis. The first G20 summit in Washington called for a revision of the institutions and organisations involved in the regulation of financial services, including the IMF (G20 2008, 2009). One of the key deficits – the lack of accurate representation of emerging markets – could be resolved relatively simply. China's decision to provide an additional \$ 40 billion to the IMF in April 2009 was hailed as an important step in increasing its representation in the organisation and in bringing its voting rights closer to its importance to the global economy (Xinhua 2009c).

In pursuing reform of the IMF, the PRC lined up with other emerging nations like Brazil and India in demanding a recalibration that reflected the changes in their share of global economic activity. The agreement among G20 finance ministers in 2009 to redistribute six percent of voting rights from developed markets to emerging markets thus received a cautious welcome. The Chinese vice minister of foreign affairs in charge of the G20, Cui Tiankui, called it an 'obvious progress' towards real reform of the IMF (Xinhua 2010a). He further stressed the need for China not to attempt to maximise its interests in the context of the reforms, which might include the way in which voting rights are calculated and how the organisation is governed.

In its October communiqué in 2009, the IMF officially called for a revision of the quota of the member states by the end of 2011. The changes would propel four emerging economies into the top 10 and make China the third ranking country in the IMF (IMF 2010). In its proposal to strengthen the representation of poorer and emerging

states, the IMF went beyond the original G20 call for an increase of 5 percent, which was supported by the G20 finance minister meeting in South Korea in October 2010 (EIU 2010). By the end of 2010, the number of countries and their share of voting rights that were needed to accept the changes had increased considerably. The Chinese government pushed for the speedy implementation of the agreement, calling for an 'aggressive' coordination of the countries by the IMF to secure its swift realisation (Xinhua 2010b). To avoid future haggling about changes in quotas, the Chinese minister of finance called for a mechanism for automatic adjustment to reflect shifts in the relative weight of member states.

An important part of China's policy is the grooming of experts for key positions in international organisations. Acknowledging the need to foster expertise on global governance, Chinese candidates are carefully prepared. Candidates for top positions at the IMF are first transferred to the People's Bank of China (PBOC), while candidates for the World Bank are first sent to the Ministry of Finance. Zhu Min, who assumed the position of Special Advisor to the Managing Director of the IMF in February 2010, was first promoted deputy governor of the PBOC. His appointment was interpreted by Chinese observers as a 'significant step toward breaking up the US and Europe's dominant position in the international financial stage' and as a symbol of China's growing weight in international institutions (Wang Bo/Mao Lijun 2009). Earlier, Justin Yifu Lin had already been appointed chief economist of the IMF.<sup>3</sup>

### **Setting up the Financial Stability Board**

One of the potentially most important outcomes of the London G20 summit in April 2009 was the decision to upgrade the Financial Stability Forum (FSF) to a global Financial Stability Board (FSB). The FSF had had very little success in promoting global rules and codes of conduct in financial services prior to the crisis, but as the FSB it took a central role in identifying and addressing key factors that had led to the global financial crisis of 2008 (Carrasco 2010: 205). The FSF had been rightfully criticised for excluding representatives from emerging markets: homogeneity was deemed more efficient than the inclusion of major nations (Liberi 2003: 549). Thus, joining the FSB resolved an issue of substantial prestige for the PRC. Nevertheless, the PRC thus signed up for a mechanism with potentially far-reaching effects on its sovereignty to deal with issues of financial services regulation.

China joined the FSB aware that this would increase the pressure for it to adopt international standards. Accordingly, domestic voices called for the setting up of a Chinese financial stability board to support the

State Council in the supervision of the financial system and to improve coordination among the existing supervisory authorities (Yan Pei 2010). Not surprisingly, this call did not find the support of the Chinese central bank, which is entrusted with macro-prudential supervision (Zhou Xiaochuan 2010). The FSB's establishment and mandate 'present significant threats to national sovereignty, as it gives the international community the authority to review and regulate the financial and operational structures of private enterprises, potentially bypassing the jurisdiction of national regulatory systems' (Kelly 2009).

The EU and China supported the establishment of the FSB, including peer reviews of regulation and regulatory reforms. The FSB explicitly calls for a race-to-the-top of its members and thus includes an element of transferring sovereignty over the regulation of financial services from national governments to an international body (G20 2010: 18-20). China 'pledged to support robust and transparent independent international assessment and peer review of their financial systems through the IMF-World Bank Financial Stability Assistance Programme (FSAP) and the FSB peer review process' (G20 2010: 19). In this regard, the FSB follows similar procedures within the G20. The mutual assessment process puts national economic policy under the scrutiny of peers and introduces an element of pressure to comply with globally agreed objectives (Kelly 2010). However, all measures decided by the G20 need unanimity and thereby leave room for a veto. Calls for the introduction of new banking levies and a global transaction tax were vetoed, to the disappointment of EU leaders. In the case of the FSB, Chinese support might have been facilitated by the comparatively weak institutional set-up of the board which has raised concerns about its ability to fulfil its ambitious tasks (Kawai/Pomerleano 2009).

## Conclusion

The traditional objective of the strategic partnership between China and the EU – to facilitate mutual cooperation and contribute to better global governance – has moved one step closer to realisation. Relations between Asia and Europe have matured enough to address the crucial issue of revising the global financial architecture. In ASEM as well as at the global level, the emergence of China as a key actor has changed the framework for policymaking. At the same time, China's involvement in ASEM and the various levels, tracks and venues for exchange within and between Asia and Europe support this turnaround in Chinese policies. A leadership that needed to define its actorness at the ASEM summit in Beijing in 2008 returned to the ASEM summit in Brussels in

2010 with a sophisticated long-term strategy based on learning and co-operation.

By learning from new experiences and by adapting its policies, the Chinese government has committed itself to the potentially far-reaching efforts of the new G20 and the new FSB, knowing that the current round of rulemaking will have a major impact on the future of financial systems worldwide. China was left out of the defining of the rules for the liberalisation of capital until the late 1990s. However, during the Asian financial crisis and even more so in the aftermath of the current economic and financial crisis, it has stepped up its involvement. China has realised its objective of gaining the recognition it deserved of its growing contribution to the world economy by securing an increase in its voting rights at the World Bank. At the same time, a long-term strategy is emerging of bringing Chinese cadre into mid-level and top positions at the reformed Bretton Woods institutions. Taken together, these measures reveal a fundamental change in Chinese attitude towards the global governance of financial services while at the same time demonstrating continuity in the PRC's policymaking process in terms of moving step by step, learning by doing, and taking a long-term view. In this the ASEM process has proven to be most instrumental. While there are still 'hardly any comprehensive proposals on the table' regarding how the future global financial architecture will look like, the PRC – now increasingly embedded in inter-regional and global governance – is setting important milestones.

## Notes

- 1 On 6 June 2000, the members of ASEAN+3 agreed in the Thai resort of Chiang Mai to conclude a set of bilateral swap agreements to mutually support each other in case of a financial crisis. In 2003 and 2007, the Chiang Mai Initiative was multilateralised and expanded. It has thus become an important pillar of the regional multilateral architecture.
- 2 The full text of the joint letter is available at <http://www.deutschland-frankreich.diplo.de/Europaische-Union-muss-geschlossen,4196.html> [19.03.2009].
- 3 Contrary to general policies, Justin Yifu Lin had not been specifically prepared by a stint at the Ministry of Finance or the People's Bank of China for his new position at the IMF and took a leave of absence from his chair at Peking University.



## 8 Banking Regulations at a Crossroads

*Bram de Roos\**

In the declaration following the eighth Asia-Europe Meeting (ASEM), the heads of state and government of Asia and Europe announced their resolve to strengthen the resilience and the transparency of the financial system and reform the financial sector. Indeed, the seriousness of the financial crisis calls for no less. The factors that contributed to a situation where the global financial system was dependent on ever-increasing housing prices in the US are now subject to new legislative initiatives in countries around the world. The careless credit issuance and complex securitised products that have caught so many investors' attention are now the target of scrutiny and restrictions, setting the stage for sweeping regulatory reform.

However, instead of looking at what went wrong, we can also draw lessons from what went well. While European countries needed unprecedented bailouts to keep the financial system going and are still having difficulty coping with the fallout, many Asian countries were only affected by the crisis because of a decline in international trade. Some Asian economies have already returned to pre-crisis growth rates. The different stages in economic development cannot be disregarded, but there could very well be elements of financial regulation in Asian markets that can inspire guidelines for the future in other countries. The Asian crisis of 1997 also spurred a wave of regulatory reform that aimed to protect the affected countries against future external shocks, and these new regulations have contributed to a less severe impact from the most recent crisis. At the same time, protracted periods of high economic growth require ever deeper, more liquid and more efficient capital markets. As the economies of Asian and Eastern European countries grow, past mistakes and best practices of countries with a more developed financial system can guide the design of a more efficient and stable financial sector.

Using datasets on government intervention, economic growth, financial regulations and the stability of banks, this article aims to explore new directions in the search for an improved regulatory framework. While a detailed scrutiny of legislative differences and correlations between regulations and financial instability goes beyond the scope of this analysis, the data might offer leads for further research. ASEM is well

positioned to facilitate an exchange of knowledge to help develop guidelines based on the experience of its member countries that can contribute to a more stable financial system. The data focuses on ASEM member countries where possible.

The first section of this chapter focuses on the most important causes and impacts of the 2008 financial crisis. Because this event inspires the current call for regulatory reform, it is important to look at what went wrong and how countries were affected. Since Asian countries were generally only affected through the contraction of economic activity in the US and European countries, Asian regulatory systems, especially in those countries that suffered least from the crisis, can point out new directions for regulatory reform in Europe.

In the following section, aspects of banking regulation and their differences in Europe and Asia are discussed.<sup>1</sup> In general, Asian ASEM members doled out less government support to keep their financial sectors afloat in the wake of the crisis. At the same time, these countries have a more stringent regulatory framework. I will then analyse the main characteristics of the Basel framework for banking supervision, since this is the most successful initiative for internationally uniform guidelines. These guidelines use metrics such as the capital ratio and leverage to monitor the vulnerability of financial institutions to external shocks and aim to establish a global level playing field while reducing the probability and severity of a subsequent crisis.

The fourth section points out some challenges related to the implementation of banking regulations (internationally coordinated). While a solid regulatory framework can contribute to a more stable financial sector, characteristics such as a bank's ownership structure and the willingness and ability of local authorities to implement regulations can lead to unintended consequences. The last section discusses how ASEM can contribute to a more robust regulatory framework through the exchange of information and best practices. The unique experiences of member countries can allow other members to develop more tailored and effective regulations to create a more stable financial sector.

## **The causes and impact of the financial crisis**

As described by Claessens, Dell'Ariccia, Igan and Laeven in the IMF Working Paper "Lessons and Policy Implications from the Global Financial Crisis", the crisis of 2008 was caused by some characteristics seen in previous crises but was able to spread due to recent developments in the financial markets. The more familiar characteristics are (Claessens et al. 2010: 4):

- a a bubble in asset prices, in this case mainly house prices in the US which rose by 30 percent over the five years preceding the crisis;
- b a credit boom, also especially in the US, fuelled in partly by guarantees by Fannie Mae and Freddie Mack and NINJA (no income, no job) mortgages;
- c marginal loans and systemic risk resulting from the large amount of sub-prime mortgages that were extended based on the expectation of ever-increasing house prices (in 2005, sub-prime mortgages accounted for 15 percent of US home-purchase loan originations, compared with less than 5 percent in 2000); and
- d regulation and supervision, which failed to recognise and target the weaknesses of the system, and the interconnectedness that eventually led to the spread of the crisis.

What Claessens et al. call the new dimensions of the crisis include:

- a increased opaqueness caused by the creation of complex securitised financial products and off-balance special purpose vehicles (while less than 35 percent of loans that didn't conform to the underwriting standards of government-sponsored agencies were securitised in 2000, this had increased to more than 70 percent in 2007);
- b financial integration and interconnectedness, resulting from the increased openness of domestic markets and larger international capital flows, especially among OECD countries;
- c the role of leverage among both financial institutions and borrowers, as European banks held smaller capital reserves and US institutions used more and more off-balance-sheet constructions. This high leverage left both borrowers and lenders more vulnerable to even small shocks; and
- d the central role of households in the crisis via the boom in sub-prime mortgage lending.

This combination of familiar and new characteristics led to a significant impact and wide contagion of the crisis once housing prices in the US declined. While initially only financial institutions with a direct exposure to this market were affected, other institutions soon felt the impact as interbank lending contracted sharply and stock prices declined. Even with additional liquidity provided by central banks, many institutions were strapped for cash, as they had to write off assets and had very limited access to liabilities. This process was exacerbated by the collapse of Lehman Brothers, which significantly reduced mutual trust in the financial sector, further reducing the availability of inter-bank loans. As credit dried up and economic activity contracted, markets and sectors with no direct exposure to the US housing market suffered from a sharp reduction in credit lines to finance working capital, trade finance

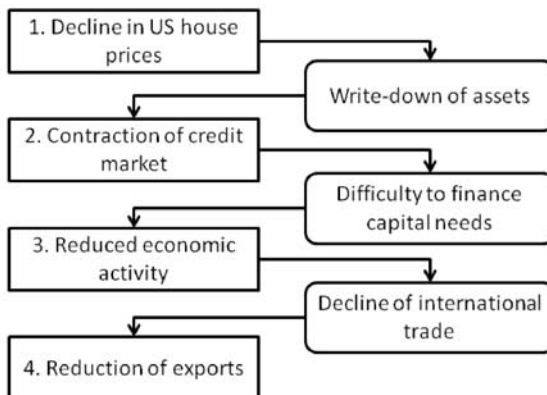


and other needs for capital. In a similar fashion, exports declined due to lower demand. See Figure 8.1 for a simplified representation of this chain of impacts.

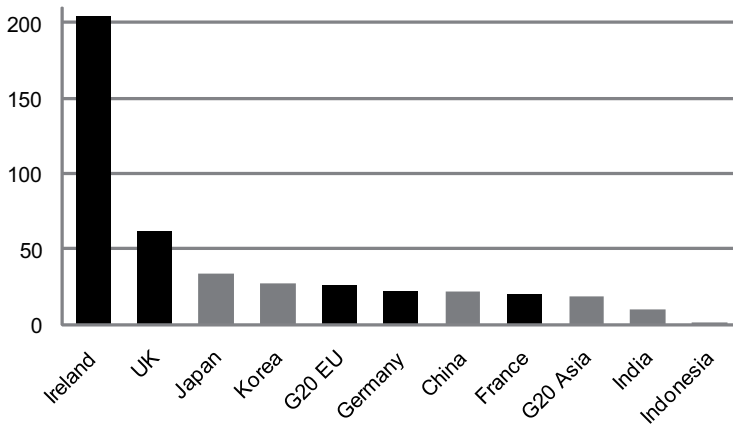
When comparing the impact of the crisis on Europe and on Asia, the presence of each of the above-mentioned characteristics determined the stage in the contagion when the countries were affected. Those European countries that showed signs of all characteristics, from a bubble in asset prices to the central role of households, were hit by the financial crisis earlier and more severely. Asian countries, which were less exposed to the US housing market and had a lower propensity for marginal lending, leverage and off-balance-sheet structures, were mainly affected by the global contraction of the credit market and reduced economic activity. Vincelette et al. point out that ‘limited exposure to toxic assets in the developed world and a fairly closed capital account shielded China from the initial financial turmoil of 2008’ and that ‘the impact has been mainly through the trade channel’ (Vincelette et al. 2010: 13). This means that the financial institutions of most Asian countries remained relatively stable, and it was mainly the real economy that suffered from the reduced demand abroad.

Figure 8.2 compares the support for financial and other sectors provided by governments in response to the crisis. This financial support consisted of: (a) capital injections to recapitalise banks, especially the systemically important ones; (b) asset purchases and direct lending by the Treasury to support banks and offload toxic assets from their balance sheets; (c) central bank support with or without direct Treasury funding, provided through credit lines, the purchase of assets, or asset swaps; and (d) guarantees for financial sector liabilities, provided for bank de-

**Figure 8.1** *Impact of financial crisis*



**Figure 8.2** *Government support in response to the crisis (as of June 2009, in percentage of 2008 GDP)*

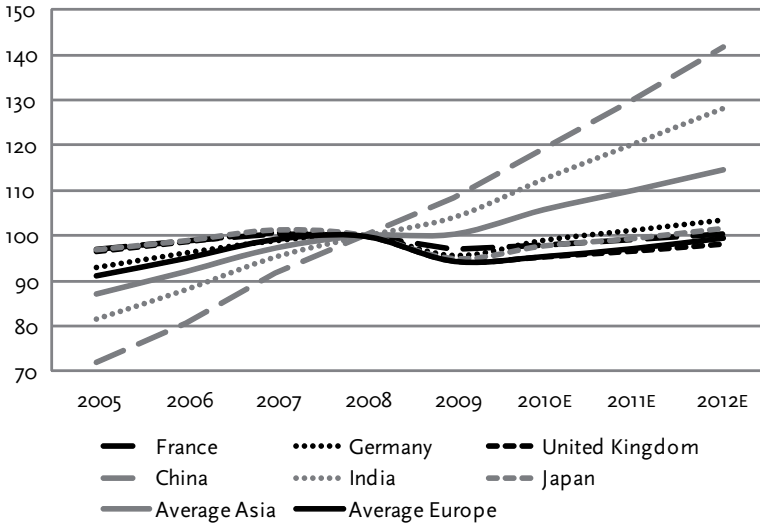


Source: IMF, FAD-MCM database as cited in Claessens et al. (2010): 31

posits, interbank loans and in some cases bonds (Cottarelli 2009: 6). Claessens et al. note that ‘advanced economies have been most affected, while most emerging market countries have had less need for capital or other forms of financial sector support’ (Claessens et al. 2010: 14). Indeed, the European countries of the G20 provided on average 35.92 percent of their 2008 GDP in support, while for Asian G20 countries, this figure was 18.58 percent. Even without the outlier Ireland (which provided 198.1 percent in guarantees to its financial sector and was eventually forced to accept a bailout by the IMF in November 2010), the EU average is 26.04 percent.

Compared with their European counterparts, Asian ASEM members not only experienced less strain on their financial sectors during the crisis but also enjoyed a more speedy recovery (see Figure 8.3). While on average, the GDP of European ASEM members is not expected to return to 2008 levels in 2011 (solid black line), Asian ASEM members will have an average GDP rate that is 10 percent higher than the 2008 level (solid grey line). This highlights the resilience of the Asian countries and the protracted impact the crisis has had on European ASEM members.

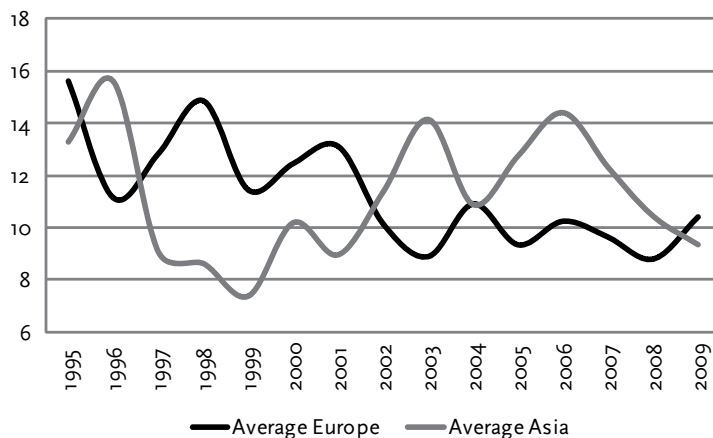
Taking into account the difference in government intervention and the development of GDP growth in the wake of the crisis, Asian regulatory systems might reveal directions for regulatory reform that could help to prevent a similar contagion or at least a similar impact as seen during the most recent financial crisis.

**Figure 8.3** GDP index (2008 = 100, constant prices)

Source: IMF World Economic Outlook, October 2010

Indeed, when comparing the stability of banks in Asia and in Europe, we can see a trend towards greater stability in Asia between the crisis of 1997 and the crisis of 2007, while in Europe there has been a general downward trend since 1995. To measure banking stability, we can use the z-score from the World Bank's Financial Structure dataset. This is the ratio of return on assets plus the capital-asset ratio to the standard deviation of return on assets.<sup>2</sup> The higher the z-score, the more stable (or the more risk-averse) the bank.

Even though the average z-score for Asian and European ASEM member countries has converged since the onset of the crisis, the difference in the years immediately preceding 2008 is in line with the more limited impact of the crisis on Asia, resulting in less governmental support for financial institutions in Asia in the wake of the crisis. The average z-score over the period 2000-2009 for the Asian ASEM members is 11.47, while for European members this is 10.40 (see Figure 8.4). This further supports the notion that banking regulations in Asia led to a more stable financial sector than those in Europe.

**Figure 8.4** Bank z-score of ASEM member countries

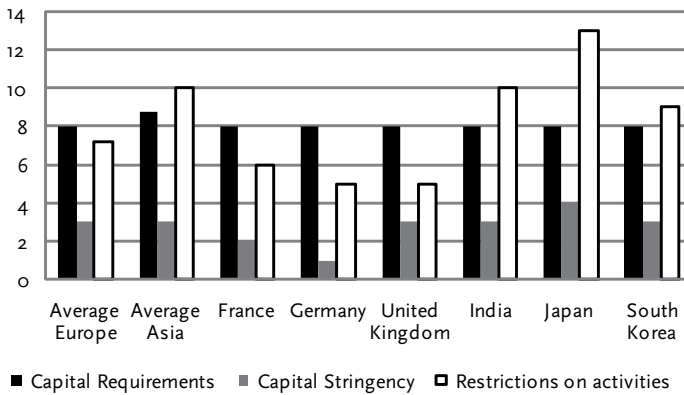
Source: IMF, Financial Structure Database (2009)

### A comparison of banking regulations in Asia and Europe

European – and especially Anglo-Saxon – banking regulations have been characterised by increasing liberalisation and more and more open markets. Throughout the past decade, this led to a wider range of products offered, higher volumes of transactions and larger international flows of capital (Beck et al. 2009: 10–12). In many Asian countries, however, regulations have remained more restricted, even after a wave of liberalisation in the 1990s and in the beginning of the 2000s.

Barth et al. compiled a database of indicators for banking regulations (see Figure 8.5). Of these indicators, ‘capital requirement’ is the minimum capital requirement as stipulated by the authorities of a given country. ‘Capital stringency’ is an index of regulatory stringency regarding bank capital. This takes into account if the capital ratio is risk weighted, if it depends on market risk, if assets are marked to market, etc. In short, it indicates to what extent regulations restrict the ‘quality’ of capital used for the capital requirement. ‘Restrictions on activities’ measures regulatory impediments to banks to engage in securities market activities, insurance activities, real estate activities and the ownership of non-financial firms. The dataset provides an overview of the regulations in place during the build-up of the financial crisis in major Asian and European economies.

While most countries use a capital requirement of 8 percent, on average the Asian ASEM member countries included in the dataset have a slightly higher requirement than their European counterparts, but this

**Figure 8.5** *Banking regulation indicators*

Source: Barth, Caprio and Levine (2006)

is not the case for the individual countries shown on the graph. Major Asian countries such as India, Japan and South Korea have a higher capital stringency than for example France and Germany, but on average there is no large difference in stringency between Asian and European countries. Where we can see the most divergence between Asia and Europe is in the restriction on activities of banks. While the average for the European ASEM members included in the dataset is 7.2, for Asian countries this is 10.0. Indeed, this could be a key issue in financial regulation, as the financial crisis was largely rooted in the creation and trade of securitised products, and this securitization led to ever-expanding amounts of liquidity that was channeled to homeowners (sometimes financially weak).

In the case of China, Vincelette et al. argue that its pre-crisis policies protected the country against external shocks, namely: *‘Prudent fiscal policies*, which left China with generally low budget deficits and reported public debt below 20 percent of GDP as it entered the crisis; *Fairly prudent monetary policy*, with tightened controls on bank lending during periods of perceived overheating (a preemptive ‘deleveraging’, which left banks with relatively low loan-to-deposit ratios). *A cautious approach to financial sector liberalization* and opening up of the capital account’ (italics in source) (Vincelette et al. 2010: 12).

Nevertheless, while some Asian countries have impressive performances to show for these prudent policies, according to certain metrics the current financial structure in emerging markets might not be able to support the recent levels of economic growth much longer.<sup>3</sup> In order to deepen capital markets and enhance liquidity and efficiency, liberali-

sation and privatisation are likely to be embraced. This, however, would also call for better regulation to strike the right balance between efficiency and stability. By looking at the experience of European economies, emerging markets can learn from past mistakes and adopt aspects of policies most applicable to their particular situation.

### **A new regulatory framework: Basel III**

In order to get an understanding of what new banking regulations we can expect and what metrics are likely to be included in new regulations, the Basel III framework offers a good overview of some of the key issues and measures monitored by regulating authorities. The efforts by the Basel Committee on Banking Supervision to establish international regulatory standards for bank capital adequacy and liquidity have so far been the most ambitious and successful initiative to establish international guidelines for banking regulations.

Established in 1974, the Basel Committee introduced a capital measurement system commonly known as the Basel Capital Accord in 1988. The main guideline of the system was a minimum capital ratio of 8 percent. This standard has been progressively introduced in virtually all countries with internationally active banks. However, because this blanket approach for capital measurement did not take into account the risk related to certain assets, a revised Capital Adequacy Framework was proposed in 1999 and issued in 2004. This framework consisted of three pillars: (a) minimum capital requirements based on risk-weighted assets; (b) supervisory review of an institution's internal assessment process and capital adequacy; and (c) disclosure and transparency to strengthen market discipline. According to a survey conducted by the Financial Stability Institute in 2006, 95 countries were intending to adopt the framework, called Basel II, in some form or another (SSI Occasional Paper 2006: 1).

However, before countries had a chance to get well underway with the implementation of the Basel II framework, the financial crisis shifted priorities and put the implementation on hold. Indeed, the implications of the crisis were such that the Basel Committee on Banking Supervision designed a new framework, known as Basel III. This new framework aims to address the factors that contributed to the spread and the impact of the crisis. Its goal of strengthening the global capital framework is pursued by: (1) raising the quality, consistency and transparency of the capital base; (2) enhancing risk coverage (e.g. for securitised assets and off-balance-sheet items); (3) supplementing the risk-based capital requirement with a leverage ratio to make financial institutions less vulnerable to shocks; (4) reducing pro-cyclicality and

promoting countercyclical buffers; and (5) addressing systemic risk and interconnectedness. Basel III also introduces a global liquidity standard to mitigate the impact of write-downs and bank runs. This liquidity standard includes a short-term liquidity coverage ratio (LCR) and a longer-term net stable funding ratio (NSFR).

According to the Committee, the LCR ‘aims to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors’ (Basel III: International framework 2010: 3).<sup>4</sup>

The NSFR ‘establishes a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution’s assets and activities over a one year horizon’ (Basel III: International framework 2010: 25).<sup>5</sup> Furthermore, the Committee proposes that ‘the required amount of stable funding is calculated as the sum of the value of the assets held and funded by the institution, multiplied by a specific required stable funding (RSF) factor assigned to each particular asset type, added to the amount of off-balance sheet activity multiplied by its associated RSF factor’ (Basel III: International framework 2010: 28). The exact level of the RSF factor is to be determined by the relevant authorities, taking into account the characteristics of the liquidity risk profile of an institution’s assets, off-balance-sheet exposures and other activities. While Basel III typically uses a blanket approach, here it allows for national authorities to adapt the framework to local circumstances. This could lead to either more or less effective regulations, as discussed in the next section.

To assess the potential impact of the Basel III framework, the Committee conducted a survey among 263 banks, divided into Group 1 banks with a total Tier 1 capital of over € 3 billion that were well-diversified and internationally active, and Group 2 banks (all other banks). Table 8.1 shows the changes in capital ratios if all the Committee’s final rules – both for the definition of capital and for the calculation of risk-weighted assets – were fully implemented as of 31 December 2009. For the common equity Tier 1 amounts, the gross percentage indicates the ratio in relation to the bank’s current risk-weighted assets, while the net percentage takes into account the new risk-weighted assets, deduction and filters. The new regulations would have the largest impact on the larger, more diversified and internationally active banks, but on average, the banks would still comply with the capital ratio levels stipulated by the Basel III framework. However, the exclusion of banks that were not able to provide all necessary data to participate in the survey can be expected to lead to an upward bias in the results, as these banks typically

have less stringent internal capital requirements, or no effective way of monitoring them.

**Table 8.1** *Average capital ratios by banking group (percent)*

	Number of Banks	CE Tier 1		Total Tier 1		Tier 1	
		Gross	Net	Current	New	Current	New
Group 1	74	11.1	5.7	10.5	6.3	14.0	8.4
Group 2	133	10.7	7.8	9.8	8.1	12.8	10.3

Source: Basel Committee on Banking Supervision, 2010

The average LCR was 83 percent for Group 1 and 98 percent for Group 2 banks, so most of the banks that took part in the survey would need to improve their liquidity. The average NSFR for Group 1 banks is 93 percent, while for Group 2 banks this is 103 percent. Banks have until 2015 to comply with the 100 percent LCR requirement and until 2018 to meet the requirements for the NSFR.

The new requirements will be phased in over time until 2019, when banks have to comply with all new regulations. However, Basel III will be implemented by national authorities, and the Committee can only monitor implementation to the extent that banks provide the necessary data. Therefore, it is likely that there will be differences in the timing and extent of adoption of the Basel III framework by national (and local) authorities. This implies that, even when adopting the Basel III framework, national authorities will have considerable discretion in shaping their own regulations. By sharing best practices and conducting case studies of countries with similar characteristics, authorities will be better equipped to adopt regulations suitable to their situation. Here, ASEM could play an important role as a facilitator of knowledge sharing and joint research efforts.

## The effectiveness of banking regulations

While banking regulations set an important framework for the activities of banks and might improve the stability of financial institutions, they don't always have the desired effect. Indeed, Laeven and Levine (2009: 265) found that, despite governmental regulations, the ownership structure of a bank can have a decisive impact on the bank's stability. In order to operationalise the ownership structure, Laeven and Levine use the variable cash flow (CF), which reflects the cash-flow rights of the largest owner of the bank. This variable is zero if the bank is widely held. For stability (or risk aversion), they use the z-score referred to above, and also the volatility of the equity returns and of the pre-tax and pre-loan-loss



provision earnings of the bank. Variables reflecting the regulatory environment are the level of capital requirement, the stringency of the capital requirement and the restrictions of activities banks can engage in.

Their conclusion is that 'greater cash-flow rights by a large owner is associated with greater risk. [...] These results are consistent with the view that owners tend to advocate for more bank risk taking than managers and debt holders (Galai/Masulis 1976; Demsetz/Lehn 1985) and that large owners with substantial cash-flow rights have greater incentive and power to increase bank risk taking than small shareholders' (Jensen/Mechling 1976; John/Litov/Yehng 2008).

This relationship not only mitigates the effect of governmental regulation but can also lead to an inverse effect. According to Laeven and Levine's research, ownership can reverse the impact of capital stringency such that, for banks with a large owner who has more than 50% cash-flow rights, more stringent capital requirements can lead to higher risk. But for banks with less concentrated ownership, more stringent capital requirements do lead to lower risk, as would be intended by the regulator (Laeven/Levine 2009: 269). A similar effect occurs for activity restrictions. If CF is low, there is no statistically significant relation between more restrictions and the banks' stability. However, when a bank has a large owner, activity restrictions boost risk. This can be explained by the fact that the owner seeks to compensate for the lost revenues due to the restrictions by engaging in other permitted, but riskier, activities.

Even though the ownership of most systemically important banks is generally widely dispersed, an effect similar to concentrated ownership might occur in the case of high rewards for short-term gains, as is the case with many bonus structures. While managers might have less power and less incentive to change the policy and practices of a (department of a) bank, they might be less risk-averse in the prospect of a significant reward if they bet on the right horse (or the right securitised asset).

The fact that a certain regulatory environment can produce very different results is illustrated by the banking landscape in the Netherlands, where banks have (or had) rather diverging ownership structures. Over the past few years, this landscape has changed significantly due to certain risks taken by the owner(s) or executives of the banks, neglect by regulatory authorities, the impact of the crisis and the ire of deposit holders. Even though they all operated under the same regulations, the fate of DSB Bank, ABN Amro and Rabobank took very different turns.

While DSB Bank was sponsoring, among others, a Dutch speed skating team, the US Olympic speed skating team and one of the Netherlands' top soccer teams (AZ), the bank was luring consumers to take out loans and mortgages with teaser rates, cross-selling them with mandatory insurance products. These and other misleading and illegal prac-

tices (the bank was fined for its way of selling loans by the Dutch Financial Markets Authority) led to a public appeal to the bank's customers by one of its clients to take out all deposits. This resulted in a bank run during which € 70 million of savings out of a total of € 4.3 billion were taken out. This eventually pushed the bank into bankruptcy in October 2009. Dirk Scheringa, the founder of the bank, was the only shareholder and had pocketed millions with the bank's aggressive lending and selling strategy. In the aftermath of the collapse, a parliamentary commission concluded that the Dutch central bank had failed to flag misconduct and that the issuance of the banking license should already have been subject to more stringent requirements regarding the governmental structure of the bank (Scheltema 2010: 18-19).

ABN Amro was a listed company with a large number of shareholders which, according to Laeven and Levine, should have resulted in less risk-taking. Nevertheless, the Children's Investment Fund, an active shareholder, pointed out the disappointing results of the company during a shareholders' meeting in 2006 and proposed selling off parts of the bank. Eventually, this led to the largest acquisition in the banking history in October 2007, when RBS, Santander and Fortis acquired ABN Amro for € 71 billion, at a price of € 38.40 per share, 14 percent higher than the market price. Rijkman Groenink, the bank's CEO, received about € 20 million from the sale of options and shares, and € 4.3 million in the form of a golden parachute. Other top managers allegedly received about € 7.5 million each on average (Smit 2009: 420-421).

The acquisition not only led to the demise of the oldest financial institution of the Netherlands, but also proved too risky for two of its three acquirers. When the financial crisis unfolded, RBS ran into liquidity problems and was bailed out by the UK government. The Dutch-Belgian bank/insurance firm Fortis also suffered from the crisis, and the Dutch banking activities of Fortis were taken over and changed back into ABN Amro by the Dutch government. The rest of Fortis was acquired by BNP Paribas.

Rabobank, on the other hand, is a cooperative owned by 1.8 million members with a highly decentralised management structure. It consists of 143 independent local banks, coordinated from the headquarters in Utrecht in the Netherlands. It weathered the crisis surprisingly well (among others because of its low exposure to the sub-prime mortgage market and its high capital ratio of 13.8 percent by year-end 2009), and is one of the few banks in the world with a AAA rating from Standard & Poor's and an AAA rating from Moody's (Rabobank Annual Report 2009: 53-56).

These diverse experiences of banks domiciled in the Netherlands show how the same set of regulations still allows for very different own-

ership structures and strategies, or the failure of regulatory authorities to properly implement the rules, which can severely impact the stability of the institution.

## Conclusion

The impact of the 2008 financial crisis shows that the current composition of banking regulations has not been able to prevent a near meltdown of the international financial system. In response, political leaders have been looking for new legislation that should increase the stability of the banking sector. While countries such as the US and the UK have already drafted new rules, the international character of the financial sector would allow banks to avoid stricter rules by moving to another jurisdiction, and banks subject to more stringent regulations will face tough competition from financial institutions in more lenient jurisdictions. To mitigate this problem, the Basel Committee for Banking Supervision proposed the Basel III framework, which should become the international standard for financial regulation.

However, the timing and extent of the implementation of this framework can differ significantly between countries, as we have seen in the case of Basel II. This can be caused by the determination (or lack thereof) of the relevant political leaders to implement regulatory reform, but also by the structure of the legislative process, which might make it more or less easy for opponents to prevent the adoption of a bill. Even if stricter rules were adopted, regulatory bodies would still need to effectively implement and monitor the new requirements. The capacity and willingness of these institutions to do so can diverge from country to country, and even in the Netherlands the central bank can allow a bank with only one shareholder (who was also the CEO) to engage in irresponsible lending practices.

In addition, an international standard can only touch upon certain aspects of banking regulations. The NSFR already leaves an important part of the regulation to the discretion of the local authorities through the RSF factor, but factors such as governance, ownership, restriction of activities, interconnectedness or even bailout policies are hard to cover with a blanket approach as pursued by Basel III. Indeed, the very core of banking consists of taking a view on risks that are inherently hard to assess and practically impossible to regulate. Besides, there will always be banks that will find a way around regulation to conduct business the way they see fit, and it will be very hard for political leaders to respond in time and efficiently. The Basel framework is a case in point. The financial crisis erupted before Basel II had a chance to become the norm, while it had been in the making since 1999. Now, the Basel Committee

for Banking Supervision has made good use of the momentum to draft a new framework, but by 2019, when Basel III must be completely phased in, chances are that the next crisis will have emerged and subsided, calling for yet another revision of the framework.

Despite such challenges, it is important for governments and regulatory institutions to keep looking for ways to strengthen the structure of the financial sector. Indeed, the many different factors that play a role in stabilising the financial sector call for a careful and tailored approach. This can be based on an international guideline such as Basel III, but each country will have different characteristics calling for different measures. When drafting new legislation, these differences need to be taken into account.

One way to do this is by looking at what worked for other countries. The limited impact of the crisis on Asian countries and their speedy recovery might reveal some lessons for better guidelines, while countries that are now experiencing high economic growth can draw lessons from asset bubbles that have occurred elsewhere in the past. The ASEM process can play a key role in facilitating the exchange of knowledge and best practices, for example by coordinating joint research efforts on the subject through the Asia-Europe Foundation, or by organising meetings between representatives of the members' central banks. The informal setting typical of ASEM will allow for a candid dialogue and an easier exchange of information than at highly politicised arenas such as the UN or the OECD. This open dialogue is necessary to bring back mutual trust in the financial industry (its political aspects), so as to maintain the international character of the financial sector while improving the regulatory framework to create more stable financial institutions.

\* The opinions expressed in this article are the personal considerations of the author and do not reflect official policy of the ING Bank nor can they be attributed to it.

## Notes

- 1 This article mainly focuses on Asian countries that are members of ASEAN, highlighting countries that have shown high economic growth over the past few years such as China and India.
- 2 According to Beck et al. (2009: 12), 'if profits are assumed to follow a normal distribution, it can be shown that the z-score is the inverse of the probability of insolvency. Specifically, z indicates the number of standard deviations that a bank's return on assets has to drop below its expected value before equity is depleted and the bank is insolvent.'
- 3 In India, for example, the ratio of non-performing loans to deposits in 2008 was about 1 percent and GDP growth averaged 8.5 percent in the 2005-2008 period (see Prasad/Rajan 2008: 24). Yet in China the savings rate of 54 percent of GDP in 2007,

compared with 37 percent in 2000, has been successfully channeled into productive investments (see Vincelette et al. 2010: 4).

- 4 This LCR is defined as the stock of high-quality liquid assets divided by the total net cash outflows over the next 30 calendar days and should be equal to or higher than 1.
- 5 The NSFR is defined as the available amount of stable funding divided by the required amount of stable funding, and should be equal to or higher than 1.

## **Security Governance**



## 9 Asia and Europe: Meeting Future Energy Security Challenges

*Christopher M. Dent*

Energy security is a major global challenge of the 21<sup>st</sup> century, as it is also inextricably linked to other key challenges facing humanity: global poverty and climate change. Asia and Europe are being brought closer together in interdependent energy relationships and moreover share a broadening range of energy security challenges and predicaments. This chapter examines how these relationships have developed on the inter-regional scale, paying particular attention to the Asia-Europe Meeting (ASEM) process.

As the birthplace of both the Industrial Revolution and many important developments in energy infrastructure and technologies, Europe has played a key role in shaping the world's energy systems and practices. The European Union (EU) comprises many of the world's largest advanced industrial economies, and as a region it accounts for around a quarter of the world's energy demand as well as carbon emissions. While the EU's absolute levels of energy units demanded is set to rise, as with all regions, its share of the world total is expected to fall to around a fifth by 2030 (IEEJ 2009).

Asia is having an increasingly profound impact on global energy security.<sup>1</sup> Spurred by rapid economic development, the region's energy consumption levels rose fivefold over the period from 1970 to 2009 while the average world energy consumption rate only doubled. In 1970, Asia accounted for just a seventh of world energy consumption, but by 2009 this share had grown to a third of the world total. Current estimates predict the region's share will rise to well over 40 percent by 2030 (IEEJ 2009). East Asian nations in particular – most significantly China, Japan and South Korea – must manage acute energy security vulnerabilities, especially their critical dependencies on imported energy fuels. We may consequently expect intensified competition among energy-hungry East Asian states trying to secure access to these fuels. Yet at the same time there is a deepening acknowledgment that stronger international cooperation is required (e.g. on energy supply chains and green energy technologies) given the interdependent nature of many energy security predicaments and challenges confronting them (Cheng 2008; Itoh 2008; Jain 2007; Saha 2003; Sovacool 2010; Wesley 2007; Zhao 2008).



Energy security is inextricably linked to climate change and global environmental security: what may be referred to as the energy-environment-security nexus. Emissions from the combustion of carbon fuels (oil, coal, gas) are the primary known cause of climate change, and the International Energy Agency's 'reference scenario' predicts there will be a 55 percent increase in global primary energy demand from 2005 to 2030 – mostly in carbon fuels – that will in turn lead to a 57 percent rise in carbon emissions. China and India alone are expected to account for almost half of these increases, and Asia combined about two-thirds of the total growth in global energy demand and emission levels in this forecast. This lends greater imperative to ASEM partners to collaboratively foster ways to mitigate their structural dependences on carbon fuel-based energy systems.

### **Defining energy security**

Many authors who write on energy security do not define the concept, implicitly assuming that their readers understand what is meant by the term. Another problem concerns how the study of energy security may be viewed as a 'total field' of scholarly inquiry, in that: 'nothing exists that is not energy, or not affected by energy' (Ciuta 2010: 124), and thus the field of inquiry concerning all things energy security related is boundless. The effective functioning of economies and societies critically depends on energy services, whether in providing the means for production, exchange, transportation and communications, or the facilitation of education, health or other welfare services. Given the pervasive nature of energy, defining the empirical domain of energy security is also symptomatic of the wider problem of theoretical spillovers in the study of inter-related security sectors (e.g. environment, economic, human, military), which has led some to question the actual analytical usefulness and meaningfulness of the concept of energy security (Clawson 1998; Mallaby 2006). For example, the ever more apparent environmental risks associated with the pursuit of energy security (i.e. energy consumption being the primary cause of climate change) has meant that energy security and environmental security domains have become ever more conflated. What is and what is not related to energy security can therefore be highly contested. That in turn has implications for aggregating (and disaggregating) the empirical domain of energy diplomacy itself, as is discussed later.

In acknowledgement of the above, Loschel et al. (2010) noted that definitions of energy security can vary significantly, can often be somewhat vague, or place a particularly strong emphasis on supply security aspects. As a general observation, most academic definitions are rather

narrow and overtly economic in a traditional market-oriented sense. For example, Bielecki argues that 'energy security is commonly defined as reliable and adequate supply of energy at reasonable prices ... the meaning of reliable and adequate supply is rather straightforward: it simply means uninterrupted supply that fully meets the needs of the global economy' (2002: 237). For Bohi and Toman, it 'refers to the loss of economic welfare that may occur as a result of a change in the price or availability of energy' (1996: 1). Organisations working on energy issues tend to take a similar approach. According to the International Energy Agency (IEA), energy insecurity 'stems from the welfare impact of either the physical unavailability of energy, or prices that are not competitive or overly volatile' (IEA 2007: 12). The Clingendael International Energy Programme (CIEP) in the Netherlands defines energy security as 'the availability of energy at all times in various forms, in sufficient quantities, and at reasonable and/or affordable prices' (2004: 37).

Over time, analysts have come to acknowledge the increasingly important environmental dimension to energy security, and therefore have been compelled to extend beyond hitherto narrow and overtly economic definitions of the concept. Thus, a useful and more holistic conceptual approach to energy security is based on addressing three types of risk, namely the securing of energy supplies (minimising supply or quantity risk) at stable and affordable prices (minimising price risk), and taking into account the environmentally damaging effects of energy consumption (minimising environmental risk), especially from the combustion of carbon fuels (Research and Information System for Developing Countries 2005). A further helpful definitional approach that adds an important temporal sustainable perspective on energy security is offered by Froggatt and Lahn, who contend that 'meeting the dual challenges of maintaining stable energy services in the short-term, without jeopardising them in the long-term, means reformulating 'energy security' as 'securing the transition' to a low or no carbon economy', and which 'prepares for a long-term vision of efficient, clean, safe delivery of energy services to meet societal needs' (2010: 6-7). The explicit emphasis on managing 'long-term' energy security provides a welcome balance to most definitions that implicitly emphasise short-term energy market supply and price stability.

### **Asia and Europe's main energy security predicaments**

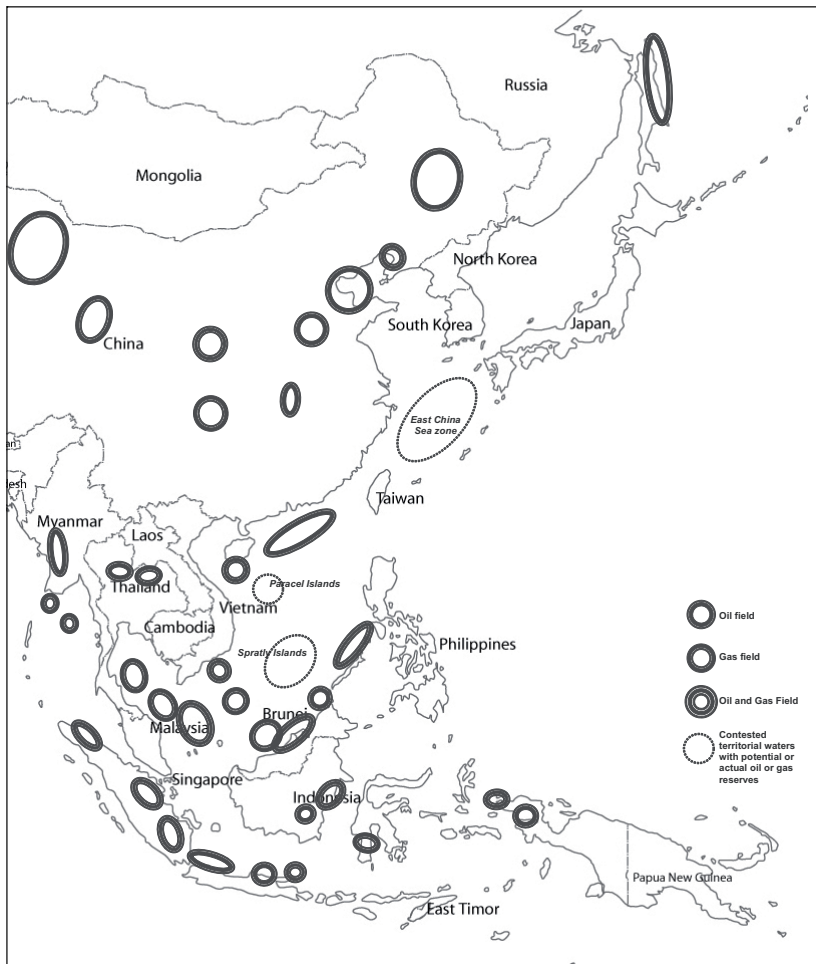
ASEM 8 saw the accession of Russia, Australia and New Zealand as new member states. Owing to disagreement over their geographic association, these countries were assigned their own specific category that

was neither European nor Asian. ASEM Asia (East Asia and South Asia, as defined earlier) represents the original and still substantive core of the 'non-European' element of the Asia-Europe Meeting and for the purposes of this chapter's analysis is the focus of the Asia-Europe energy relationship.

ASEM Asia's main energy security predicaments have become more acute as a consequence of the region's burgeoning industry-based economic development, which has unleashed soaring demand for energy resources and a rapid depletion of indigenous fuel reserves. Like Europe, ASEM Asia is now a major net energy-importing region. Figure 9.1 illustrates where East Asia's main oil and gas reserves are located, these being concentrated in Southeast Asia and China, which also possess the bulk of the region's coal reserves. India is the world's third largest coal producer and ranks among the world's top 20 oil and gas producers. Pakistan also possesses notable levels of carbon fuel reserves. By contrast, Northeast Asia's developed economies – Japan, South Korea and Taiwan – have virtually no such energy resources and have thus long maintained high energy-import dependencies, this being historically very pronounced on Middle East oil. Despite still possessing considerable energy fuel reserves, China has become East Asia's largest energy importer, for example importing more oil than any other nation in the world except for the United States. Southeast Asia's main energy producers (Indonesia, Thailand, Malaysia, Brunei, Vietnam) are also quickly turning into net energy importers. The region's imported oil dependency ratio is set to jump significantly from 10 percent in 2002 to 70 percent by 2025 (CEC 2009). ASEM Asia's maintenance of a dynamic economic growth pattern will require increasingly high levels of energy inputs from foreign sources.

Moreover, flows of transported foreign energy supplies entering into the East Asia region in particular are funnelled through narrow sea-lane 'chokepoints' that are highly susceptible to blockade and piracy (see also Kamerling and Van der Putten in this volume). The most important is the Malacca Straits which at its narrowest point is only around one kilometre wide but through which a quarter of world trade passes (approximately 100,000 ships per year, including around half the world's oil tankers). Energy and other resource imports are also shipped through other chokepoints such as the Sunda Strait between Java and Sumatra, the Lombok Strait between Bali and Lombok, and the Makassar Straits between Borneo and Sulawesi (Figure 9.2). Furthermore, there are various territorial disputes among a number of Asian countries concerning zones in the South China Sea (Spratly Islands and Paracel Islands) and the East China Sea (between China and Japan) due to claims over potentially significant oil and gas reserves thought to be located there, and through which most of ASEM Asia's energy trade passes.

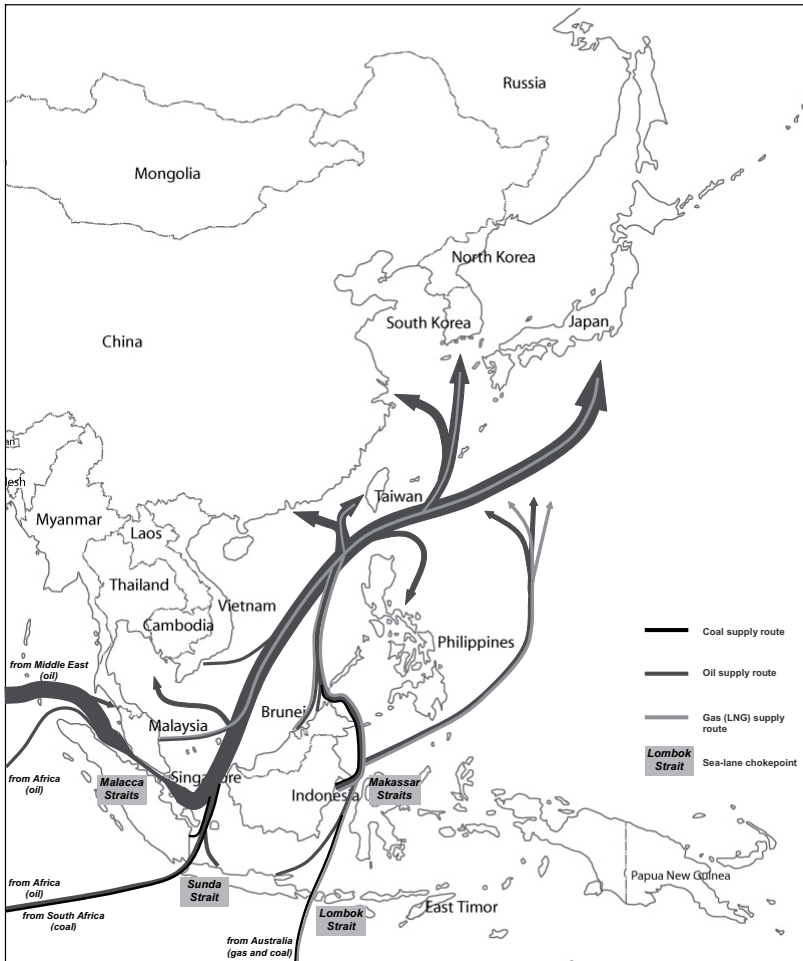
**Figure 9.1** East Asia's major oil and gas fields



Sources: Based on graphic data from Petroleum Economist ([www.petroleum-economist.com](http://www.petroleum-economist.com)), ASCOPE ([www.petronas.com.my/ascope](http://www.petronas.com.my/ascope)), IEEJ (2006)

Another key predicament for ASEM Asia's energy security is how to unlock the region's enormous potential for the development of its renewable energy sector and more generally its green energy sector including energy efficiency and saving technologies. Like other regions, Asia cannot remain primarily focused on 'carbon-oriented' energy security. Supply, price and environmental risk imperatives require the region's states and societies to develop low or zero-carbon energy paradigms if they are

**Figure 9.2** Main energy import supply routes in East Asia



Sources: Based on various collected data

Notes: Flows show main supply routes for different imported energy fuels and arrow ends indicate main areas or countries of destination. For reasons of graphic simplicity, flows of imported coal have been drawn just up to main import stream points.

to achieve sustainable development into the 22<sup>nd</sup> century and beyond. Japan is a world leader in many renewable, carbon-abatement and energy-efficient technologies – it is among the world's most energy-efficient nations. According to a recent report, Asia will account for around a third of total global wind power capacity by 2020, just behind Europe's 35 percent share but ahead of North America's 29 percent. China has become a leading global player in this sector, increasing its wind power capacity from just 1.2 GW in 2005 to 25.8 GW by 2009. This makes it currently the world's third largest wind power producer by nation, and it is set to become the largest within a few years (GWEC 2010). China now has around 50 wind turbine producers, the three largest of which – Gold Wind, Sinovel and Dongfang Electric – are in the world's top 10 in terms of size. Four of the world's top 10 solar power companies are also Chinese: Suntech, JA Solar, Trina Solar and Yingli. India too has made significant progress in developing its wind and solar energy sectors. It more than doubled its wind energy production capacity from 2005 (4.3 GW) to 2009 (10.9 GW) and is now ranked fifth in the world, and is making large-scale investments to increase its solar power capacity. The Philippines already produces around 20 percent of its electricity from geothermal sources. China has set itself a target of meeting at least 15 percent of its primary energy demand from renewables by 2020, and has hinted this could even exceed 20 percent.<sup>2</sup> Japan has also discussed a 20 percent target by 2020, and the Association of Southeast Asian Nations (ASEAN) has set an indicative, non-legally binding target of 10 percent of total energy demand from renewables by 2020.

ASEM Asia possesses the technological, financial and kinetic resources to make a significant global impact on green energy development, but the challenges are enormous. Its governments need to create robust incentive structures to attract investment funds as well as green energy technology transfers and development. These invariably require some degree of foreign assistance. Part of the problem here to date has been the relatively limited international energy cooperation among ASEM Asian countries, although this situation is changing. Regional organisations such as ASEAN, ASEAN Plus Three (APT), South Asian Association for Regional Cooperation (SAARC), and the Asia-Pacific Economic Cooperation (APEC) forum are affording greater priority to addressing energy security issues.

Like ASEM Asia, the EU also has a growing dependence on extra-regional energy sources. The EU's current energy import ratio is around 55 percent, but this is projected to rise to 67 percent by 2030 (CEC 2009). Diversifying energy diplomacy linkages have become a strategic priority for the EU (Pomfret 2009; Umbach 2010; Youngs 2009). In 2007, the European Commission launched the 'Energy Policy

for Europe' strategy against a background of growing concerns about climate change and the EU's growing dependence on energy imported from a relatively small number of foreign suppliers. The aim was to achieve EU consensus on three complementary objectives: competitiveness, sustainable development and supply security.

The EU has a much stronger energy infrastructure and technology base than ASEM Asia as a whole, and is therefore generally better able to respond to sudden energy security shocks. Nevertheless, it faces significant supply security risks associated with dependencies on foreign energy suppliers, most notably Russia and its pipeline supply of gas. The EU has sought to mitigate this particular risk by developing gas pipeline projects with Caspian and Central Asian energy partners. For example, the Nabucco project involves a 3,300km pipeline to transport natural gas from Azerbaijan, Egypt, Iraq and Turkmenistan to Europe (Austria, Hungary, Romania and Bulgaria specifically) through Turkey.

As a group, the EU is the world's leading producer of renewable-based energy and is far more energy efficient than the United States. In the wind energy sector, Europe's production capacity has almost doubled over the period 2005 to 2009 (40.7 GW to 75.5 GW<sup>3</sup>), over twice the US's current capacity and three times that of China (GWEC 2010). It has also set itself the legally binding target of raising renewable energy's share in the overall final energy demand from 7 percent in 2007 to 20 percent by 2020. The EU's own energy security position is also being increasingly affected by ASEM Asia, especially in terms of supply security risk, as Asia's burgeoning growth in energy demand raises pressures on common suppliers (e.g. from the Middle East, and in the future increasingly from Central Asia and Russia) to simultaneously satisfy the resource needs of both regions (Hadfield 2008; Marquina 2008). These shared supply linkages, however, only strengthen the interdependencies in Europe-Asia energy relations, along with the mutual 'environmental risks' of continued carbon fuel dependence and its global warming effects.

### **Asia-Europe energy cooperation**

Dialogue on energy issues between the EU and ASEAN predates ASEM's endeavours in this area. However, this was relatively ad hoc and often placed under other categories of technical cooperation. It was not until the 2000s that EU-ASEAN energy relations were placed on a firm footing. In early 2002, both the Technology Transfer for Energy Cogeneration from Biomass in ASEAN Countries scheme and the EC-ASEAN Energy Facility (EAEF, with € 31.5 million in funds) programme were established. This remains to date the most substantive scheme of

energy cooperation between the EU and an Asian grouping yet created. Its principal aim is to facilitate the development of sustainable energy policies in Southeast Asia, building on ASEAN's own regional action plans for energy. The EAEF's main objectives for Southeast Asia's energy sector are to:

- modernise the region's electricity generation and distribution infrastructure;
- promote the use of clean coal, biomass cogeneration, and combined heat and power technologies;
- promote energy efficiency and energy conservation practices;
- ensure the security of energy supply to rural areas;
- develop regional energy resources;
- create stronger institutional and regulatory foundations in Southeast Asia for promoting sustainable energy policies; and
- strengthen links between EU and ASEAN business and policy-makers in the energy sector.

To date, the EAEF has funded around 80 projects involving policy-makers, private sector organisations and local public authorities from Europe and Southeast Asia. Probably the most important outcome of the programme has been to strengthen micro-level energy partnerships between the above-noted forms of agency.

In other developments, an EU-ASEAN senior officials' dialogue on energy cooperation has been in place since 2007, and in June 2009 the EU and ASEAN agreed on the implementation of their 2010 Energy Work Plan, although at the time of writing few details were available concerning its content. A key energy security concern for the EU in Southeast Asia is nuclear safety, primarily relating to non-proliferation, nuclear waste, operational safety issues and decommissioning. An EU-ASEAN workshop on nuclear safety and security was held in June 2008 at Bangkok. More generally, ASEAN states are eligible partners of the EU's Instrument for Nuclear Safety Cooperation created in 2007. In the same year, ASEAN established its own nuclear energy safety sub-sector network, and some ASEAN states are also members of the Asian Nuclear Safety Network (ANSN) comprising eight countries from the region (China, Indonesia, Japan, South Korea, Malaysia, Philippines, Singapore, Thailand and Vietnam) with the support of France, Germany, Australia, the US and the International Atomic Energy Agency (IAEA).<sup>12</sup> ASEM countries are members of the Global Nuclear Energy Partnership that involves around 30 countries worldwide working on nuclear safety issues. Thus, the nuclear energy sector appears to be the most prominent sector where EU and ASEAN member states are involved in various forms of multilateral cooperation.



Another important initiative in this context is the Energy Charter Treaty (ECT), which was established in 1994. The treaty is an EU-centred arrangement to address key challenges such as the free movement of energy goods across borders, the facilitation of energy transit via cross-border pipelines, and dispute settlement provisions through binding legal arbitration (Energy Charter Secretariat 2004). It is not an EU institution as such but a regionalised arrangement based on EU member states. Its main aim has hitherto been to manage supply security risks of energy flows from Russia and increasingly from Central Asia through establishing firmer rules and norms on energy trade and foreign investment protection. ASEM Asia's growing links with the same energy suppliers would suggest that the ECT could provide a potentially very important platform on which to better manage Asia-Europe energy security interdependencies. Both regions now have a strong vested interest in ensuring predictable flows of energy in transit over the Eurasian land mass. Japan and Mongolia are currently signatories, while the PRC (which now has oil and natural gas pipelines with Central Asian states), Indonesia, South Korea and Australia have observer status. Both the PRC and Indonesia have seconded government officials to work at the ECT's main office in Brussels. The ECT, as a centrepiece of European energy diplomacy, would offer a number of advantages to ASEM Asia as a potential multilateral framework for cooperation between all countries in the region (Gavin/Lee 2007; Marquina 2008).

From certain perspectives, Europe and ASEM Asia would not seem to be natural energy partners. Their inter-regional energy trade is extremely limited: while each region sources imported energy fuels from similar partners (e.g. Middle East states), they do not source from each other in any substantive way. Furthermore, discernible differences of thinking on energy security are apparent between European policymakers and their Asian counterparts. This has also to some extent been evident in each region's scholarly communities (Sovacool/Brown 2010). These differences can be attributed to two main factors. First, a more market-oriented approach generally prevails in European liberal democracies, which contrasts with Asia's more state-centric mercantilist approach due largely to the region's developmental statist and socialist market traditions – the preponderance of national oil companies in Asia is indicative of this (Paik et al. 2007). Second, energy security is more closely linked to alleviating poverty or low welfare levels in Asia, whereas in prosperous Europe there is greater capacity and socio-political pressure to focus on green energy issues. Extending electricity generation infrastructure to the poorest regions in Asia is, for example, viewed as vital to raising social welfare levels in these areas by providing energy for hospitals, schools, utility services and so on. Like any partnership, the basis of an Asia-Europe energy partnership has to be

grounded in definable common or working interests that are largely determined by their shared energy security challenges and other issues, namely:

- high-level dependencies on relatively few foreign energy suppliers;
- an especially strong reliance on international energy market stability and order as the world's largest net energy-importing regions;
- reconciling both regions' predicted growth in energy consumption rates with climate change policy objectives;
- treating energy security as regional public goods;
- coping with the same potentially 'game-changing' developments in the energy sector, e.g. the shale gas industry's rapid development and the as-yet-unknown fallout from the recent BP Deepwater Horizon disaster;
- exploiting each region's significant potential for developing green energy sectors, i.e. renewables and energy-efficient/energy-saving technologies;
- creating the necessary socio-technical and institutional environments for the economy and society's transition towards low-carbon energy paradigms; and
- managing nuclear safety and proliferation issues in each region's lesser-developed zones.

The above, combined with deepening integration in the global energy system generally (e.g. rapidly internationalising energy markets) and the mutual need to establish sustainable low-carbon energy paradigms, presents imperatives for ASEM partners to communicate and work more closely on energy security affairs, and share ideas on how best to address similar energy security challenges. This provides a foundation on which Asia-Europe energy cooperation can be developed. For example, it is strongly in the EU's interest to assist ASEM Asian countries in implementing carbon emission abatement technologies and practices, as Europe is directly affected by Asia's rising levels of CO<sub>2</sub> emissions. Similarly, the EU should promote the inclusion of ASEM countries as new members to important multilateral energy organisations such as the International Energy Agency (IEA) in order to help strengthen global energy governance and market order. ASEM Asia's attempts to develop stronger forms of regional energy cooperation would also benefit from drawing from aspects of the EU experience (Gavin/Lee 2007). Municipal authorities from both regions could learn from each other on how to implement sustainable energy practices in urban areas.

In addition, Russia's very recent accession to ASEM creates an interesting new dynamic in Asia-Europe energy relations. For some time now, significant concerns have been raised in the EU regarding Russia's predictability as a major energy partner. This is one of the reasons

the EU has sought to diversify its foreign energy partnerships. Russia now supplies China with pipelined oil through the East Siberia Pacific Ocean project, which will also supply Japan by 2015, and it is the first time that ASEM's membership includes a major energy exporter that supplies both Europe and Asia. This may present competitive tensions among ASEM partners as they seek to secure the same Russian energy resources, but it could also be an important basis on which more substantial ASEM energy cooperation could develop.

There are bilateral, inter-regional and multilateral dimensions to Asia-Europe energy relations. Individual EU member states, especially large ones (e.g. Germany, UK, France) or ones with strong green energy sectors (e.g. Denmark, Sweden), have developed particularly significant bilateral energy relationships with ASEM Asian nations. For the sake of scope and space, this chapter concentrates on the inter-regional and multilateral aspects of Asia-Europe energy relations. Energy was noted as a strategically important field in the European Commission's July 1996 communications document, the 'Europe-Asia Cooperation Strategy for Energy'. Around a year later, the European Parliament passed a resolution on this strategy, and the EU's Energy Council adopted the conclusions of the resolution later that same month. The conclusions outlined a series of priority issues to be addressed, many of which are largely aligned to the shared energy security predicaments mentioned above. Cooperation on energy, the environment and climate change also formed one of the pillars of the European Commission's 2007-2013 Asia regional programming strategy (CEC 2007). While this document stresses the importance of a cross-border approach, it did not outline in detail how cooperation on energy is to be achieved. To date, there has been far more dialogue than substantive cooperation accomplished at the inter-regional level concerning Asia-Europe energy relations, and this has been channelled primarily through ASEM and EU-ASEAN links.

The inter-regional framework of ASEM is the most obvious mechanism for strengthening the Asia-Europe energy partnership. There are still, however, no regular ministerial or senior official level meeting processes or any other ASEM-related apparatus in place to manage energy security issues between both regions. We should therefore start by examining how the discourse on energy relations developed through ASEM summits, with particular attention on chair's statements and leaders' declarations (see Table 9.1).

Certain patterns may be discerned from the energy-related discourse within ASEM. First, it took some time for energy security issues to be established in ASEM summitry as an important field of inter-regional dialogue and cooperation in its own exclusive right. It was originally treated as just one listed item from a large basket of items where ASEM

**Table 9.1** *Energy relations discourse in ASEM summits*

- First ASEM summit (1996, Bangkok): The chair's statement mentions 'energy and transport' cooperation only under the broader context of promoting scientific and technology flows between Asia and Europe.
- Second ASEM summit (1998, London): The chair's statement only referred to energy issues as bound up with other related issues rather than on an exclusive singular basis, stating that ASEM partners 'emphasised the importance of continued work to develop policies and measures for cooperation in the other relevant fields such as infrastructure development, energy and the environmental sector with the objective of promoting sustainable economic growth'.
- Third ASEM summit (2000, Seoul): There was a clear emphasis on energy supply and price security, the chair's statement 'expressing concern over volatility in oil prices. Leaders shared the view that ensuring a stable supply of energy, including oil and other fuels, was vital to the maintenance of long-term economic growth for all ASEM partners and the world at large'. There was also the first explicit link made in an ASEM summit statement to the energy-environment-security nexus, as well as associated matters of global environmental governance: 'Leaders acknowledged that the degradation of the natural resource base and, in particular, the problem of energy and environment, is a challenge for all ASEM partners and reiterated their commitment to addressing global environmental issues, to ensuring a successful Sixth Conference of the Parties to the UN Framework Convention on Climate Change in November 2000, and to working towards the early entry into force of the Kyoto Protocol.'
- Fourth ASEM summit (2002, Copenhagen): The energy-environment-security nexus received even greater emphasis at this summit. Indeed, energy security was inextricably linked to climate change in the chair's statement: 'Leaders underlined the importance of the ASEM dialogue on environmental matters leading up to the next ASEM Environment Ministers' Meeting in 2003. They reaffirmed their political will to implement the commitments made at the World Summit on Sustainable Development and welcomed the new international targets on sanitation, energy, sustainable consumption and production, chemicals and biodiversity.'
- Fifth ASEM summit (2004, Hanoi): There was a return to emphasis on traditional energy security concerns over carbon fuel supply and price risks, with the Hanoi declaration on a closer ASEM economic partnership calling for actions in response to high and volatile oil prices, noting in particular that these 'could slow down regions' economic growth'. Energy was again listed in a multitude of other areas of cooperation to be promoted among ASEM partners.
- Sixth ASEM summit (2006, Helsinki): This marked a watershed in Asia-Europe dialogue on energy-related matters. The Helsinki declaration on climate change committed ASEM partners to 'act with resolve and urgency to meet interrelated multiple goals of addressing climate change, reducing air pollution and improving the global environment while contributing to sustainable development and synergies with energy policy goals' and to 'work together to improve access to sustainable energy services in order to facilitate the achievement of the Millennium Development Goals'. It noted that the ASEM group would invest an estimated \$6.3 trillion in the energy sector by 2030, although this referred only to existing plans and not to any ASEM-related initiative. Under its core principles of sustainable development, the Helsinki declaration called upon ASEM to promote the transfer and deployment of low carbon technology, enhance energy efficiency, and scale up renewable energy infrastructures. The summit's chair statement, which had an entire section on sustainable development including environment and energy

security, furthermore noted the importance of 'mitigating threats to the Sea Lanes of Communication between Asia and Europe' and ensuring the safety of international energy transporting routes generally.

- Seventh ASEM Summit (2008, Beijing): This followed on strongly from the previous summit on energy issues. The Beijing declaration on sustainable development acknowledged that energy security was inextricably linked to the stability and growth of the world economy, and to sustainable development futures.
- Eighth ASEM Summit (2010, Brussels): Many of the points raised in the Brussels declaration on more effective global governance derived from efforts to restore stability in the global economy after the 2008 financial crisis. There was only a passing reference in this document to sustainable development, no explicit mention of energy, and the only mention of environment was the 'financial environment'. In some contrast, the chair's statement did refer to energy security and climate change issues. A specific note was made on 'ensuring sufficient, reliable and environmentally responsible supplies of energy at prices reflecting economic fundamentals', which was perhaps more aimed at ASEM Asian countries that continued to subsidise the supply price of energy fuels (e.g. Indonesia). Perhaps most importantly, the statement noted that 'the global nature of [energy] challenges and the growing interdependence between producing, consuming and transit countries would require strengthened dialogue and partnership involving ASEM partners and other stakeholders'. This acknowledged the growing direct energy security linkages between both regions, thus reflecting key trends such as sourcing from an increasing range of similar energy partners such as Russia, Central Asia and Africa.

aspired to substantially strengthen Asia-Europe cooperation. Second, in the early summits hosted by Asian nations (especially South Korea and Vietnam), there was more concern with short-term carbon fuel energy security matters. Notwithstanding the fact that host nations tend to have some influence over the meeting discussions and outcomes, we should be careful to conclude this was at the time a typically Asian response to, or conception of, energy security challenges. Oil prices did indeed rise somewhat leading up to both the Seoul and Hanoi summits, and these were only two Asian nations from many in ASEM's membership. Third, a strengthening energy-environment nexus was discernible at EU-hosted summits, first at Copenhagen and then more substantially at Helsinki. Fourth, there has been a much stronger recognition of the deepening energy security interdependence between Asia and Europe, in terms of markets and supply especially, in the last two summits and most notably at the 2010 Brussels summit. This reflected the general trend towards the greater internationalisation of energy security relations generally.

ASEM foreign and environmental ministers' meetings from the mid-2000s onwards had called for the establishment of substantive energy cooperation between both regions, and a number of new ASEM events on energy security have been organised since. In June 2006, in the run-up to the summit that year, Helsinki hosted an international work-

shop entitled 'Climate Change and Energy Security: The Role of ASEM in Facilitating Cooperation between Europe and Asia'. This was followed two years later by the first ASEM forum on energy security policy convened in Hanoi in April 2008, and an ASEM seminar on energy security and climate change held in Singapore in 2010. The most important new event of all was the first ASEM ministerial conference on energy security held in Brussels in June 2009, where foreign and energy ministers from both regions assembled for the first time to discuss how to improve Europe-Asia energy cooperation. This was more of an information-sharing and exchange-of-views exercise and did not lead to the formulation of a substantive cooperation programme. Indeed, such a programme has yet to be established by ASEM on energy security, and at the time of writing there were no publically known plans for when a second ASEM ministerial conference on energy security or when a second ASEM forum on energy security policy might take place.

## Conclusion

We may say with some notable certainty that energy security will become a more critical international and global challenge as the 21<sup>st</sup> century progresses. Conventional carbon fuels are fast depleting; finding and then extracting new carbon fuel reserves will involve increasingly higher costs that will push up energy prices well beyond inflation rates; and the pollutant effects of rising carbon emission levels will only strengthen imperatives to reduce our unsustainable dependency on oil, coal and gas. The global community thus faces risks on all fronts – supply, price and environmental – and energy security predicaments will become more acute unless substantial efforts are made now to make the transition towards a zero-carbon energy paradigm based on renewable and other green energy systems. This at least is the long-term goal for human civilisation, and ASEM partners, as a large and important global constituency, have a key role to play in this process.

Asia and Europe may not appear to be natural energy security partners. Energy trade between them is negligible, and at a general level each region often views energy security from contrasting perspectives owing to development and socio-economic related factors. Nevertheless, Asian and European energy security interests are increasingly overlapping, bound by an ever wider range of shared energy security predicaments and issues, as well as closer interdependencies now evident in international energy relationships and structures (e.g. markets, infrastructure, finance, environmental externalities) in the global system generally. While Asia and Europe are not engaged in a significant en-

ergy fuel trade relationship, they are potentially very important partners with regard to energy technology, infrastructure development, finance, governance, policy practice and other areas. These provide a firm foundation on which a stronger Asia-Europe energy security partnership may be developed.

So far, ASEM has only talked about the energy security challenges facing both regions and the common and global challenges confronting ASEM partners. Substantial energy cooperation through ASEM has yet to be achieved, and there is also currently no ASEM initiative in place for this to be realised either. This needs to be urgently addressed. Meeting most energy security challenges invariably requires long-term planning, and ASEM is a late starter compared with other transregional organisations such as APEC. There are opportunities for ASEM to build on work already well established through EU-ASEAN energy projects, as well as work programmes overseen by the Energy Charter Treaty that are expanding the scope of Europe-Asia energy diplomacy.

The recent accession of Russia into ASEM introduces a new dynamic in Asia-Europe energy relations. Russia is an energy superpower, and one that supplies both the EU and ASEM Asia with significant levels of energy fuel. As was noted, this may create competitive tensions between both regions as ASEM partners seek to outbid others to secure Russian carbon fuels, yet it also creates exciting new opportunities for developing energy cooperation. There is, finally, the important issue of strengthening ASEM's multilateral utility in helping improve various forms of global multilateral energy governance. Through ASEM, the EU could, for example, make a case for ASEM Asian countries acceding to the International Energy Agency, or developing an Asia-Europe consensus or proposals prior to G20 meetings on energy security issues. It is time for ASEM to raise its game on energy security matters.

## Notes

- 1 Here we refer to East Asia (Northeast Asia: China, Japan, South Korea, North Korea, Mongolia, Taiwan; and Southeast Asia: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) and South Asia (India, Pakistan, Sri Lanka, Bangladesh). With the exception of Bangladesh, Sri Lanka and Taiwan, all actors are part of ASEM Asia.
- 2 *China Daily*, 6 July 2009, 'China considers higher renewable energy targets', [http://www.chinadaily.com.cn/bizchina/2009-07/06/content\\_8380826.htm](http://www.chinadaily.com.cn/bizchina/2009-07/06/content_8380826.htm).
- 3 Figures for OECD Europe.

## 10 **Enhancing Maritime Security Governance: European and Asian Naval Missions against Somali Piracy**

*Susanne Kamerling and Frans-Paul van der Putten*

At the eighth Asia-Europe Meeting (ASEM), the chair's statement identified piracy at sea as one of the global focus issues of the ASEM partners. The statement mentions in particular piracy off the coast of Somalia as a current threat to the freedom and security of the seas. The Gulf of Aden and the Western Indian Ocean – the waters where Somali piracy occurs – are major thoroughfares of maritime trade between Europe and Asia. Since 2008, a large number of countries have contributed to naval missions against Somali piracy. The great majority of these countries are either European or Asian.<sup>1</sup> The fact that so many nations are involved in addressing Somali piracy – not just through naval missions but also in other ways – constitutes an important opportunity to strengthen security governance on maritime piracy. However, even when faced with a common threat, it is not easy for such a large number of countries to work together closely when there is little experience in doing so. This is particularly true when it involves the military assets of competing great powers in a maritime region that is of major strategic importance. This chapter will address the question of how Asian and European countries that are active in naval operations against Somali piracy can contribute to more effective and thus enhanced maritime security governance. It will argue that the European Union (EU), especially when supported by Asian countries, is in a favourable position to help overcome geopolitical impediments to greater international cooperation against piracy. In this regard, ASEM, as the main forum for collective dialogue between Asia and Europe, can play a central role.

### **Maritime security governance and naval counter-piracy missions**

While at first sight it may seem obvious that countering piracy is a matter of maritime security governance, in fact this is only part of the story.<sup>2</sup> The root causes for maritime piracy are typically related to political, economic and social conditions that exist on land. In order for any actor or group of actors to eliminate the threat of Somali piracy to com-



mercial shipping, conditions in Somalia itself need to be addressed. Initiatives in the sphere of maritime security can at best be complementary to whatever takes place on land. It is unlikely that Somali piracy can be eliminated merely through naval operations and protective measures by merchant ships. A large number of states have dispatched warships to protect shipping in the Gulf of Aden, but the number of pirate attacks remains unprecedentedly high. Hostage-taking at sea has risen for the fourth year in a row to record levels in 2010, of which hijackings off the coast of Somalia last year accounted for 92 percent of the total.<sup>3</sup> The primary effect of the naval operations seems to be that the pirates have substantially expanded their area of activity. Attacks have increasingly taken place at considerable distance to the east and south of the Gulf of Aden (as far as the Arabian Sea and Mozambique Channel), and therefore take place in a geographic area that is too large for counter-piracy forces to cover effectively.

But even though piracy needs to be addressed primarily on land, this does not mean that maritime initiatives are not important. Changing the political situation on land, certainly in a country without effective central government such as Somalia, takes time. But international commercial shipping needs protection right away, on a continuous basis. Moreover, it seems clear that foreign governments are quite willing to contribute to initiatives aimed at containing or limiting Somali piracy and its effects, but are more reluctant when it comes to addressing the much more complicated issue of Somalia's political and societal problems. The outlook is that Somali piracy will not disappear soon, and for that reason there will remain a need to provide security at sea.

To maximise the effect of counter-piracy initiatives at sea, these need to be part of a system of maritime security governance. Only through a systematic approach can foreign governments sustain their maritime operations over a longer period of time. To make the most of limited resources, and to make initiatives relating to Somalia relevant also for counter-piracy in other parts of the world, it is necessary to approach them from the perspective of maritime security governance. A working definition of security governance relevant to maritime security (among others) has been proposed by Torsten Geise: 'a multi-faceted process in which nominally autonomous public and private actors, seen as bound by a commonly shared security goal or interest, coordinate their various means through binding policy decisions that allow for collectively managing the complexities of contemporary security risks' (Geise 2010: 18).

At a minimum, a system of maritime security governance to limit the threat of piracy at the global level should include the following elements: (1) a legal framework that defines the options and responsibilities for actors engaged in counter-piracy;<sup>4</sup> (2) a global coordinating mechanism that operates on behalf of all relevant national governments

and that offers a central platform for communication and coordinates the execution of relevant initiatives; (3) a set of enforcement tools aimed at protecting potential victims, deterring and capturing pirates, and bringing piracy suspects to trial; and (4) a close aligning of the previous elements with on-land approaches to piracy and with business sector actors relevant to maritime piracy.

Naval operations to protect merchant vessels or to hunt for suspected pirates are part of the third category, i.e. enforcement tools. The tighter the elements on the list are interconnected, and the further they are elaborated, the more highly developed the system of maritime security governance will become. The criteria show that, at present, maritime security governance in the sphere of counter-piracy is still weakly developed. All four elements are present, but there is still significant scope for improvement (van Ginkel/van der Putten 2010).

While the basic situation has remained the same for centuries, some things have been changing in the past two decades. Prior to the emergence of Somali piracy as a major international issue, it was piracy in the Strait of Malacca that drew considerable international attention. The need to deal with Southeast Asian piracy brought together a great variety of actors. Important new initiatives were launched at the international level, such as the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP),<sup>5</sup> the Information Sharing Centre of the Federation of Asian Shipowners' Association, and the Piracy Reporting Centre in Kuala Lumpur of the International Maritime Bureau (part of the International Chamber of Commerce).<sup>6</sup> As the three coastal states of the Strait of Malacca (Indonesia, Malaysia, Singapore) are opposed to direct interventions from other governments, international cooperation with regard to the counter piracy operations themselves have remained mostly limited to these three countries.

Somali piracy, however, offers more opportunities for international actors to be involved. The Transitional Federal Government (TFG) of Somalia has allowed the international community to enter their territorial waters and even on land in 'hot pursuit' under UN resolution 1851, and welcomes the international initiatives that are being undertaken. This offers an opportunity to work towards improved security governance by building on the maritime counter-piracy operations that currently take place. Naval missions to protect merchant vessels and to search for suspected pirate ships are at the core of these operations.

Since 2008 the international involvement in protecting shipping from Somali piracy has provided important new building blocks for the further development of this systematic approach. The sequence of counter-piracy initiatives relating to Somalia started in November 2007 when France, Denmark, Canada and the Netherlands dispatched navy vessels

to escort ships of the United Nations World Food Programme (WFP) to and from Somalia. In July 2005, a ship of the WFP carrying emergency relief for Somalia had been hijacked for the first time. Further incidents occurred, with 2008 witnessing a surge in piracy attacks on commercial shipping. The UN put out a request to the international community to step up to this increased threat.<sup>7</sup> The EU was one of the first actors to respond.

### *European counter-piracy operations at sea*<sup>8</sup>

The Europeans launched EU Naval Force Operation Atalanta in December 2008 as a follow-up to the earlier missions of individual countries to protect WFP ships. It was its first naval operation under the framework of the EU's Common Security and Defence Policy (CSDP). Forces participating in Operation Atalanta have been tasked with providing protection for vessels of the WFP and the African Union's (AU) military mission to Somalia (AMISOM), as well as fishing and merchant vessels in the region. They are authorised to 'employ the necessary means, including the use of force, to deter, prevent and intervene in order to bring to an end acts of piracy and armed robbery which may be committed in the areas where they are present' (EU Council Secretariat 2009).

Atalanta is currently in its third year of deployment, as it was extended in December 2010 until December 2012.<sup>9</sup> The two-year extension of the mandate saw a broadening of the possibilities for Atalanta to take more aggressive actions against pirates. Atalanta's command is now allowed to launch air strikes or strikes from the sea to target pirate camps identified by the mission on land (Europe Diplomacy & Defence 2010). However, the emphasis remains on the responsibility of states in the region and on regional cooperation. The approach of the EU therefore enhances maritime capacity building in an overall comprehensive approach. In this context, the EU also provides training of maritime personnel from the information and training centres in Djibouti and Sana'a (Yemen) in the context of the Djibouti code of conduct, a regional framework of agreements between countries and organisations involved in the piracy problem. Moreover, the EU has tried to broaden its existing counter-piracy initiatives by also inviting non-EU countries to be active under the EU flag. This applies to Norway, Croatia and Montenegro, but also South Africa, Australia and New Zealand (Homan/Kamerling 2010: 75).<sup>10</sup> The EU has been very active at the operational level in cooperating with other actors such as China and India.

Also in late 2008, the North Atlantic Treaty Organization (NATO) deployed one of its standing naval units (Standing NATO Maritime Group 1, SNMG1) to conduct anti-piracy operations in the Horn of Afri-

ca region. At the time, NATO was providing escorts to WFP vessels transiting through the Gulf of Aden and off the Horn of Africa under Operation Allied Provider. NATO ended Operation Allied Provider in December 2008 and transferred WFP protection responsibilities to the EU's Operation Atalanta (Homan/Kamerling 2010: 73-78). NATO then launched a new anti-piracy mission, Operation Allied Protector, under the command of SNMG1 in March 2009. The forces participating in Operation Allied Protector acted to 'deter, defend against and disrupt pirate activities'. In the summer of 2009, NATO followed this up with a further counter-piracy operation, Operation Ocean Shield, to continue its presence in the Gulf of Aden until at least the end of 2012.<sup>11</sup> Both NATO standing maritime groups (SNMG1 and 2) were to alternate their involvement in Ocean Shield. Along with the US and Canada, various European (EU and non-EU) countries participated in these successive NATO missions.<sup>12</sup> The NATO operations were initially not set up as counter-piracy missions but as out-of-area missions to the Indian Ocean. They were turned into counter-piracy operations for the duration of the ships' stay in the Gulf of Aden. NATO, like the EU, strives for a comprehensive approach to counter-piracy including capacity building and regional cooperation (Homan/Kamerling 2010: 76-78).

The third mechanism in which European countries participate are the US-led Combined Maritime Forces (CMF). CMF has several multinational naval task forces, each with a specific purpose, and consists of 25 countries based in Bahrain. From 2008 the Combined Task Force 150 (CTF150), which constituted the maritime component of Operation Enduring Freedom (OEF) in Afghanistan, was occasionally used for combating piracy activities in the Western Indian Ocean. However, some of the coalition members – especially the US itself – felt that counter-piracy was not part of the mandate of CTF150 and was distracting too much attention from the original goal of fighting terrorism in the region. For that reason, in January 2009, Combined Task Force 151 (CTF151) was established with the specific aim of conducting counter-piracy operations in the Gulf of Aden, Indian Ocean, Arabian Sea and Red Sea. Its mission is to 'disrupt piracy and armed robbery at sea and to engage with regional and other partners to build capacity and improve relevant capabilities in order to protect global maritime commerce and secure freedom of navigation'.<sup>13</sup> CTF151 has been led by the US, Turkey, South Korea and Singapore and is currently under the command of Commodore Abdul Aleem of the Pakistan Navy. Twenty countries have in one way or the other contributed to CMF's taskforces, including the United Kingdom (UK), France, the Netherlands and Denmark on the European side, and South Korea, Pakistan, Singapore and Thailand on the Asian side.<sup>14</sup> CTF 151 deploys between two and five ships, while

NATO and the EU generally maintain larger deployments: between 3-6 and 6-8, respectively, excluding air capacity (AIV 2010: 34-39).

Each of the three multinational counter-piracy groupings within which European countries participate has a continuous presence in the Gulf of Aden. Initially, coordination between the EU, NATO, CTF151 and other naval actors was limited. However, in February 2009 the EU initiated the internationally recommended transit corridor (IRTC) for commercial shipping, following the initiation of patrols in the broader geographical area of the maritime security patrol area (MSPA) commenced in 2008 by CMF.<sup>15</sup> The coordinates of the IRTC run east-west through the northern part of the Gulf of Aden, south of Yemen. The corridor is currently being guarded by CTF151, NATO and EU ships. It is intended as a way to optimise the use of available maritime assets present in the region. The IRTC has provided increased security for the vessels that pass through it, although hijacks have occurred occasionally within the IRTC.

The EU has been particularly proactive in furthering international co-operation. It set up an internet-based system where ships can apply for transit and assistance and have access to up-to-date threat information on the Gulf of Aden and Western Indian Ocean. This maritime security centre of the Horn of Africa (MSCHOA) coordinates all requests that come in from commercial ships for assistance from CTF151, the EU and NATO. While similar services are provided by the UK maritime trade organisation (UKMTO) in Dubai and the US Navy's maritime liaison office (MARLO) in Bahrain, the greater part of the applications are currently redirected to MSCHOA.

#### *Asian counter-piracy operations at sea*

For many Asian navies involved in counter-piracy operations in the Gulf of Aden, this is the first time they conduct long-lasting naval operations outside of their own region. Only some East and Southeast Asian navies had previously been active in the Western Indian Ocean. Singapore joined CMF in 2004,<sup>16</sup> while Japan took part in Operation Enduring Freedom by dispatching successive naval refuelling missions from 2001 until 2010. Since 2009, various Asian countries such as China, Japan, South Korea and India have maintained a continuous naval presence in the Gulf of Aden, with ships being deployed on a rotating basis.

In the context of CTF151, several Asian countries have been working side by side with European (and other) countries. South Korea, Pakistan, Singapore and Thailand participated in CTF151. South Korea joined the taskforce in March 2009 with one destroyer, Singapore in April 2009 with a landing ship tank, and Pakistan in July with one of

its main warships.<sup>17</sup> In September 2010, Thailand was the most recent Asian country to join CTF151 with a patrol vessel and a supply ship.<sup>18</sup>

Other Asian countries have deployed individual missions instead of contributing to a multinational naval task force. These countries operate outside the formal organisation of the IRTC, although in practice they are active in the same part of the Gulf of Aden. There have been numerous instances when ships and aircraft that are part of the IRTC and those that are not have responded jointly to piracy threats. In September 2008, the Malaysian navy deployed three vessels (one frigate and two supply ships) to protect commercial shipping. This came in response to several hijackings of Malaysian ships. The aim of this mission was not to undertake direct rescue operations but to provide protection for the Malaysian vessels once they were released.<sup>19</sup> In 2009, the Malaysian navy temporarily used a commercial tanker for military supply and logistics to the region instead of a supply ship because of the high costs of deploying naval assets. India, too, was among the first Asian countries to respond to the surge in piracy attacks in 2008. In October of that year, the Indian navy deployed one of its largest vessels against piracy in the Western Indian Ocean and Gulf of Aden. Since then, the Indian navy has continued its counter-piracy mission, with a total of 21 Indian naval ships so far having been involved.<sup>20</sup> The Indian navy has organised individual and group transit escorts through the Gulf of Aden for Indian-flagged ships as well as the merchant ships of other countries along the entire length of the IRTC.

China's counter-piracy operation, aimed at providing escorts for commercial ships through the Gulf of Aden, became operational in January 2009.<sup>21</sup> Since then, the Chinese navy has maintained a continued presence of two warships and one supply ship in the Gulf of Aden.<sup>22</sup> In part to support this operation, in the second half of 2010 China sent a hospital ship to the Western Indian Ocean that visited the Gulf of Aden. For the Chinese navy, its activities off the Somali coast constitute a major new development. Previously it had very little experience with expeditionary operations or with operating in an international environment. As China lacks military bases in the Indian Ocean, it has so far relied on Chinese commercial companies to resupply its navy ships via ports in the region.

Japan initiated its counter-piracy operation in March 2009.<sup>23</sup> The Japanese Maritime Self-Defence Force maintains two warships and two maritime surveillance aircraft in the Gulf of Aden. In April 2010, Japan and Djibouti signed an agreement according to which Japan will operate air and naval facilities in the African country to support counter-piracy activities in the Gulf of Aden.<sup>24</sup> While the Japanese government maintains that these facilities do not constitute a military base since they will be operated only for the duration of the counter-piracy mis-

sion, the Djibouti arrangement nevertheless does constitute an important new step in the development of the international profile of Japan's military and its contribution to international security at sea. In addition to a large number of further naval actors, private security firms hired by shipowners to provide onboard armed protection against pirates are also involved in addressing the threat of Somali piracy.<sup>25</sup>

## International cooperation and geopolitics

Piracy in Somali waters has accelerated international interaction in the sphere of maritime security governance. Never before were so many countries involved in fighting piracy in a single region. The Asian actors have varying degrees of experience with international naval cooperation. For example, India performs a joint naval exercise each year with the US, called the MALABAR naval exercise. In 2009, Japan participated in this exercise.<sup>26</sup> Various other Asian countries also have a history of joint exercises with the US navy. However, compared with the European countries, most of which have been in NATO for many years, the Asian countries are less accustomed to multinational naval operations.

Based on United Nations Security Council Resolution 1851 which 'encourages all States and regional organizations fighting piracy and armed robbery at sea off the coast of Somalia to establish an international cooperation mechanism to act as a common point of contact between and among states, regional and international organizations on all aspects of combating piracy and armed robbery at sea off Somalia's coast', the US initiated the formation of a multilateral Contact Group on Piracy off the Coast of Somalia (CGPCS). This Contact Group was established as a voluntary international forum of cooperation between countries, organisations and industry groups with an interest in combating piracy, which meets regularly at the United Nations in New York. The CGPCS now consists of 49 countries, 7 international organisations<sup>27</sup> and two large industry representations (BIMCO and Intertanko). It has sent two assessment missions to Somalia and other countries in the region that form the basis of all initiatives. The activities of the CGPCS are funded by its own international trust fund that was set up to support all initiatives.<sup>28</sup>

The Contact Group held its inaugural meeting in January 2009 and identified several tasks:

- improving operational and information support to counter-piracy operations;
- establishing a counter-piracy coordination mechanism;
- strengthening judicial frameworks for the arrest, prosecution and detention of pirates;

- strengthening commercial shipping self-awareness and other capabilities;
- pursuing improved diplomatic and public information efforts; and
- tracking financial flows related to piracy.<sup>29</sup>

It has since then been subdivided into four working groups:

- *Working group 1*: military and operational coordination, information sharing and capacity building, chaired by the UK;
- *Working group 2*: judicial issues, chaired by Denmark;
- *Working group 3*: strengthening shipping self-awareness and other capabilities, chaired by the US; and
- *Working group 4*: public information, chaired by Egypt.

Next to the CGPCS, which is focused on the political and strategic levels, there is also a forum for the actual coordination in the maritime theatre of the Gulf of Aden and Western Indian Ocean. At the Shared Awareness and Deconfliction (SHADE) meetings in Bahrain which take place approximately once in every six weeks, tactical and operational coordination is discussed and agreements are made for a certain period of time. The participating parties agree upon the division of tasks, optimisation of the use of available assets and coordination of the geographic presence. The SHADE meetings involve the multinational forces (EU, CTF151, NATO) and all other countries operating in the area, together with representatives from international organisations and the shipping industry.<sup>30</sup>

Since its inception, SHADE has seen an increase in the number of naval authorities present. In late 2009, China expressed the wish to follow the example of the EU and the US in (co-)chairing the SHADE meetings in Bahrain, and also to take part in the IRTC system (Weitz 2009: 10).<sup>31</sup> In late January 2010, following a meeting of the SHADE grouping, China, the US, the EU and NATO reached an agreement that China would join them as co-chair of the SHADE meetings on a rotating basis (Gelfand 2010: 5). However, by mid-2010 China had not yet acted as chair of SHADE or joined the IRTC. According to reports in the Indian media, this was because the Indian government had objected to China taking up this role.<sup>32</sup>

There are civilian as well as military systems through which commercial ships and the naval authorities currently communicate. Two civilian systems that are widely being used are the automatic identification system and global maritime distress system, the latter being imposed on the shipping industry by the International Maritime Organization (IMO). These are systems that provide data on merchant ships, including identification, position, course and speed. They are also used as a means to communicate with ships and receive and react to emergency



calls. The overall operational picture is disseminated via classified military systems and is accessible only to most countries participating in CTF151, NATO or Atalanta plus Japan and South Korea. A system that is particularly relevant because all actors can communicate with it is the Mercury system. Mercury is an EU-introduced online system that is used to communicate with all naval forces and relevant shore-based organisations that do not have access to the classified systems of the established naval forces, like Russia, China, the Seychelles, India and UKMTO. Navies and shore-based organisations have to apply to be admitted. All naval actors except Iran have joined this forum with possibilities for chat, file exchange and unclassified information exchange (Homan/Kamerling 2010: 88). Furthermore, work is in progress to implement a near real-time unclassified operational picture in Mercury. European and Asian actors are thus capable of communicating through these systems, by which the opportunity to work together at the operational level in diverting piracy attacks and hijacks is being facilitated.

While many factors affect the level and form of cooperation that exist between the various countries, geopolitical factors take up a special position, in particular in the context of naval cooperation. For those countries with sufficient naval capacity to deploy frigates or destroyers at a long distance, geopolitical factors have a major impact on their decision as to whether, when and how they actually make these very costly deployments. While all governments involved in naval counter-piracy missions share a common interest in fighting Somali piracy, other interests also play a role, and these are not always compatible among the various nations. International naval cooperation in the Gulf of Aden is closely related to geopolitics. On the one hand, the European navies involved work closely together with each other and with the US, with whom they share major strategic interests. The Asian navies tend to operate either individually or in cooperation with the US. From the three leading powers in Asia, Japan is a US ally, while India tends to guard its geopolitical independence, and China is a strategic rival of the US. Particularly the US-China relationship is of key importance. In recent years, China has emerged as a world power that is surpassed in terms of international influence only by the United States. No multilateral governance system can address major security issues at a fundamental level without the involvement of at least both the US and China. The fact that both Japan and India regard China as their main strategic rival further complicates the situation.

Against this background, it is not surprising to see that the EU, NATO and the US work closely together in the IRTC. This multilateral mechanism has not yet been expanded to also involve most of the Asian actors. The apparent refusal by India to let China act as co-chair at SHADE is a clear example of geopolitical considerations hampering clo-

ser international cooperation. But the fact that China applied for the role of co-chair and seemed willing to contribute, in one way or another, to patrolling the IRTC shows that expanding the system to involve more Asian countries does not need to be impossible.

A more effective and efficient use of the available military assets is of great importance. The current naval deployments are very expensive. It is unclear how long they can be sustained, while it is obvious that even under present conditions only a part of the affected area can be covered by the counter-piracy patrols. The number of piracy incidents remains high, with the number for 2010 breaking all records, while the ransoms being demanded are rising steeply.<sup>33</sup> The problem of high insurance fees and the physical risks for seafarers continue to exist as before. More international cooperation is required, and for this it is necessary to acknowledge the relevance of the geopolitical setting and to explore where progress is possible and where it is not.

## Conclusion

When taking into account the various naval missions and the relevance of geopolitics, it is the EU in particular that seems strikingly well positioned to stimulate multilateral cooperation. On the one hand, the EU is the actor with the most substantial naval presence in the Gulf of Aden and is very active in counter-piracy. On the other hand, the EU is not directly involved in the main geopolitical tensions in the Asian region. Unlike NATO, it operates independently from the US. The EU's active posture and yet low geopolitical rivalry are useful assets in moving ahead with closer operational integration in counter-piracy at sea. The EU has the opportunity to launch new platforms and procedures for interaction and coordination that take into account the limitations and possibilities of the other actors. It can take the lead in exploring ways to expand current mechanisms such as the IRTC and SHADE to strengthen the involvement of non-Western actors. It can do so by mediating between the other naval actors and by helping to find solutions that are acceptable to all.

In addition, there is a need to involve more countries in patrolling and coordinating the IRTC, but there is also an urgent need to coordinate protective actions east and south of the Gulf of Aden. While more difficult to achieve – e.g. with regard to hunting for pirate ships, intelligence and evidence gathering, dealing with arrested suspects, and resupplying – any progress in terms of more coordination would be highly useful. Asian countries but also the US and other actors, all of whom share an interest in more stable maritime relations in the region, can play an important role by supporting the EU when it launches such

initiatives. The IRTC has shown that it is possible through international cooperation to increase security for commercial ships at least in a part of the affected area. A more effective and efficient use of military assets and the expanding of relevant multinational mechanisms will improve security at sea in the short run and will also contribute to a better system of maritime security governance that can have a more lasting impact.

In this context, ASEM can contribute to enhancing maritime security governance by providing an informal platform for bilateral and inter-regional dialogue on piracy at sea. A security dialogue in the ASEM context would facilitate a more coordinated approach of the involved European and Asian interests with regard to their respective naval missions.

## Notes

- 1 Europe is defined here as EU member states plus the Western European countries that are outside of the EU. Asia as defined here includes South, Southeast and East Asian countries.
- 2 According to the definition in the United Nations Convention on the Law of the Sea of 1982, only events occurring on the high seas can be regarded as acts of piracy. However, in this chapter we will regard any criminal violence that takes place on water against a ship or its crew as an act of piracy.
- 3 'Hostage taking at sea rises to record levels, says IMB, ICC Commercial Crime Services' on: <http://www.icc-ccs.org/news/429-hostage-taking-at-sea-rises-to-record-levels-says-imb> (accessed in January 2011).
- 4 According to Douglas Guilfoyle: '... all states have international legal authority to capture and prosecute pirates, [but] they do not have a duty to do so. While there is a duty to cooperate to suppress piracy "to the fullest possible extent" (article 100, UNCLOS [United Nations Convention on the Law of the Sea]), there is only a discretion to prosecute them (article 105). While a duty to cooperate to the fullest possible extent may seem a strong obligation, the international community has not agreed that it has any specific content'. Douglas Guilfoyle, 'The Legal Challenges in Fighting Piracy', in Bibi van Ginkel and Frans-Paul van der Putten, eds., *The International Response to Somali Piracy: Challenges and opportunities* (Leiden: Martinus Nijhoff Publishers, 2010).
- 5 [http://www.recaap.org/index\\_home.html](http://www.recaap.org/index_home.html) (accessed on 16 December 2010).
- 6 <http://www.icc-ccs.org/home/piracy-reporting-centre> (accessed on 16 December 2010).
- 7 UN Security Council Resolutions 1814, 1816, 1836, 1848, 1851; all issued in 2008.
- 8 See also Kees Homan and Susanne Kamerling, 'Operational Challenges to Counterpiracy Operations off the Coast of Somalia', in Bibi van Ginkel and Frans-Paul van der Putten, eds., *The International Response to Somali Piracy: Challenges and opportunities* (Leiden: Martinus Nijhoff Publishers, 2010); and Susanne Kamerling and Frans-Paul van der Putten, 'Europe Sails East, China Sails West: Somali Piracy and Shifting Geopolitical Relations in the Indian Ocean', in Frans-Paul van der Putten and Chu Shulong, eds., *China, Europe and International Security: Interests, Roles, and Prospects* (London: Routledge, 2011).
- 9 <http://www.consilium.europa.eu/showpage.aspx?id=1567&lang=en> (accessed in January 2011).

- 10 The first three countries mentioned have contributed in terms of frigates or personnel; the latter three have not yet participated in EU efforts in counter-piracy.
- 11 'One year on NATO remains vigilant in Gulf of Aden (and beyond)', 13 April 2010, <http://www.jfclb.nato.int/newsroom/Pages/ShowNewsItem.aspx?ID=36>, (accessed on 11 January 2011).
- 12 The United Kingdom, Germany, the Netherlands, Belgium, Denmark, Norway, Poland, Portugal, Spain, Greece, Italy and Turkey have participated in one of these missions in SNMG1 or 2. Occasionally, other NATO members have also participated.
- 13 <http://combinedmaritimeforces.com/ctf-151-counter-piracy/>, (accessed on 11 January 2011).
- 14 Contributions consist of aircraft, ships or personnel, or of a combination thereof.
- 15 For the following see: Update on IRTC, Maritime Liaison Office (MARLO), <http://www.cusnc.navy.mil/marlo/Guidance/Corridor.htm>, accessed in January 2011.
- 16 'Singapore Navy joins Counterpiracy CTF151', [http://www.navy.mil/search/display.asp?story\\_id=44606](http://www.navy.mil/search/display.asp?story_id=44606), accessed in January 2011.
- 17 'Singapore to join anti-piracy efforts in the Gulf of Aden', 12 February 2009, <http://www.channelnewsasia.com/stories/singaporelocalnews/view/408523/1/.html>, 'Singapore Navy joins Counterpiracy CTF151', [http://www.navy.mil/search/display.asp?story\\_id=44606](http://www.navy.mil/search/display.asp?story_id=44606), both accessed in January 2011. 'PN sails ship to battle piracy off Somalia coast', 2 July 2009, <http://www.defence.pk/forums/naval-forces/29157-pn-sails-ship-battle-piracy-off-somalia-coast.html> (accessed in January 2011).
- 18 'Thai Navy anti-piracy contingent leaves for international effort off Somalia's coast', 10 September 2010, [http://www.mcot.net/cfcustom/cache\\_page/100793.html](http://www.mcot.net/cfcustom/cache_page/100793.html), 'Thailand joins CMF counter piracy mission', <http://combinedmaritimeforces.com/2010/09/27/thailand-joins-cmf-counter-piracy-mission/>, both accessed in January 2011.
- 19 'Malaysia deploys navy to Somalia', 5 September 2008, BBC news, <http://news.bbc.co.uk/2/hi/7600177.stm>, accessed in January 2011.
- 20 Official website Indian Navy, <http://indiannavy.nic.in/AntiPiracy.htm>, accessed in January 2011.
- 21 See also Susanne Kamerling and Frans-Paul van der Putten, 'The Role of the Chinese Navy in Protecting China's Security Interests in the Gulf of Aden', paper presented at the 'workshop on China's response to security threats in Africa', Brussels Institute for Contemporary China Studies, 17-19 May 2010; Susanne Kamerling and Frans-Paul van der Putten, 'Europe Sails East, China Sails West: Somali Piracy and Shifting Geopolitical Relations in the Indian Ocean', in Frans-Paul van der Putten and Chu Shulong eds., *China, Europe and International Security: Interests, Roles, and Prospects* (London: Routledge, 2011).
- 22 U.S.-China Economic and Security Review Commission, '2009 Report to Congress', Washington DC: U.S. Government Printing Office, 2009, p.119; <http://eng.chinamil.com.cn/special-reports/2008hjdjhd/indexg.htm> (1 December 2009); [http://eng.mod.gov.cn/DefenseNews/2009-12/22/content\\_4113304.htm](http://eng.mod.gov.cn/DefenseNews/2009-12/22/content_4113304.htm) (21 January 2011); [http://eng.mod.gov.cn/SpecialReports/2009hjdjhd/2010-03/17/content\\_4132494.htm](http://eng.mod.gov.cn/SpecialReports/2009hjdjhd/2010-03/17/content_4132494.htm) (28 April 2010).
- 23 'Japan to deploy ships to Somalia', BBC News, 28 January 2009, <http://news.bbc.co.uk/2/hi/africa/7855120.stm>, accessed in January 2011.
- 24 [http://www.kforcegov.com/NightWatch/NightWatch\\_10000136.aspx](http://www.kforcegov.com/NightWatch/NightWatch_10000136.aspx) (10 January 2011).
- 25 In addition to European and Asian actors and the United States (through their leadership of CMF), other countries like Russia, Iran, Saudi Arabia and Yemen have occasionally deployed warships to the Western Indian Ocean, Red Sea, Arabian Sea or Strait of Hormuz in reaction to piracy activities. Russia has had deployments similar to those of India from October 2008 onwards, following the hijacking of Ukrainian ship MV Faina that was transporting 33 Soviet-made battle tanks and other weaponry

- from Ukraine to Kenya. Since then, the Russian navy has had several deployments to escort transits north or south of the IRTC. 'Russia call to halt Somali piracy', BBC News, 3 October 2008, <http://news.bbc.co.uk/2/hi/africa/7651329.stm>, accessed on 10 January 2011. Iran, Saudi Arabia and Yemen occasionally deploy ships in their direct neighbourhood to prevent piracy from spreading to their ports or to divert a direct threat to their merchant vessels or sailors. Moreover, a consortium of Arab countries (Saudi Arabia, Bahrain, Djibouti, Egypt, Jordan, Kuwait, Oman, Qatar, Sudan, the United Arab States and Yemen) announced in June 2009 it was setting up an anti-piracy naval force to prevent the spread of piracy from the Gulf of Aden to the Red Sea and Suez Canal. However, it is unclear what the status of this initiative is.
- 26 <http://www.marinebuzz.com/2009/04/24/exercise-malabar-09-usjapanindia-to-participate-off-the-coast-of-okinawajapan> (accessed on 10 January 2011).
  - 27 The African Union, the League of Arab States, the EU, INTERPOL, the International Maritime Organization, NATO and the UN Secretariat.
  - 28 US Department of State Bureau of Political-Military Affairs, 'Contact Group on Piracy off the Coast of Somalia' website, <http://www.state.gov/t/pm/ppa/piracy/contactgroup/index.htm>, accessed in January 2011.
  - 29 Statement of Contact Group on Piracy off the Coast of Somalia, New York, 14 January 2009.
  - 30 The following organisations participate in SHADE: the UN, INTERPOL, the UK Maritime Trade Organization (UKMTO, Dubai), the US Maritime Liaison Officer (MARLO, Bahrain), Intertanko, Intercargo, BIMCO, the International Maritime Bureau and the International Maritime Organization. Iran is the only country present in the region that is not represented at the SHADE meetings.
  - 31 The *De Xin Hai* was released by the pirates in late December, reportedly after China paid a ransom: Abdi Guled, 'Somali Pirates Say \$4 Million Ransom Paid for Coal Ship', *Reuters* 27 December 2009, on: <http://www.reuters.com/article/idUSTRE5BQoK420091227> (accessed on 9 November 2010).
  - 32 Devirupa Mitra, 'EU Asks India to Co-Chair Anti-Piracy Group', *Headlines India*, 13 July 2010, on: <http://headlinesindia.mapsofindia.com/india-and-world/european-union/eu-asks-india-to-cochair-antipiracy-group-55987.html> (accessed on 9 November 2010).
  - 33 'Pirates Hijacked Record Number of Ships in 2010, IMB Says', *Businessweek*, 18 January 2011, on: <http://www.businessweek.com/news/2011-01-18/pirates-hijacked-record-number-of-ships-in-2010-imb-reports.html> (accessed on 21 January 2011).

## **ASEM Enlargement**



## 11 Bridging Asia and Europe? Australia and New Zealand Membership in ASEM

*David Capie*

One of the most significant developments at the ASEM 8 summit in Brussels in October 2010 was the admission of three new members: Australia, New Zealand and the Russian Federation. Their participation marked not only a 'third wave' of expansion for the already unwieldy grouping, but also the inclusion of three new members whose identities were arguably not easily aligned with either Europe or Asia.

This chapter explores how Australia and New Zealand came to join ASEM, the different ambitions and interests that propelled their applications, and the goals they are likely to pursue as new members. Drawing on interviews with Australian and New Zealand government officials as well as documentary evidence, it sets out the process that led to ASEM's expansion to a trans-regional grouping of 48 members.

The chapter falls into three parts. The first section provides some historical background about Australia and New Zealand's interest in ASEM, including their various efforts to join the ASEM process since its first meeting in 1996. The second section outlines the drivers that pushed them towards membership in 2009 and some of the complications that surrounded enlargement. The final section examines where these new members will fit in relation to Europe and Asia and what, if anything, the addition of the 'Tasman Two' might change for the Asia-Europe Meeting in the future.

### **Background**

Australia and New Zealand's membership in ASEM needs to be seen against the broader backdrop of their changing economies and relationships with Asia and Europe. At first glance, the two antipodean (from a European perspective) states have much in common: both are settler colonies and, as such, their ties to the United Kingdom (UK) profoundly affected their formative experiences as states. They are both parliamentary democracies, whose dominant civil and political traditions have their origins in Europe. Each acquired a greater willingness and capa-



city to act autonomously in international relations during the twentieth century and became not only less connected economically to the UK but also more closely connected to one another (Smith/Hempenstall/Goldfinch 2008; Capie 2010).

But if New Zealand and Australia have similar colonial experiences and identities, their differing size and self-image give them different ambitions as states. Australia, with a population of more than 20 million people, is the world's 13th largest economy in terms of nominal GDP and the fourth largest economy in Asia. Its rich natural resources have seen it boom at a time when most of the world's developed economies have suffered recession. It also has one of the most sophisticated militaries in Asia. For more than two decades it has seen itself as a 'middle power' with the capability and right to play an active and influential role on the international stage.

By contrast, New Zealand's smaller population and limited economic and military power have meant that it has rather more limited ambitions. While the country's diplomats and political leaders like to repeat the refrain that the country 'punches above its weight' in international fora, they also have a keen sense of the limits imposed by resources and the relative lack of hard power.

Since the 1970s, both New Zealand and Australia have recognised that their economic destiny is increasingly tied to the Asia-Pacific region. The Hawke and Keating governments were closely associated with a shift towards Asia in Australian foreign policy, with Prime Minister Bob Hawke declaring his intention to 'enmesh' Australia in the Asia-Pacific. In New Zealand, the shifting relative importance of Asia and Europe began to be understood in the early 1970s, brought about by the shock of Britain's decision to join the European Economic Community (EEC). This led to a search for new markets, initially in the Middle East but later focusing on Japan and East Asia. In the early 1990s, the Bolger government declared it was time for New Zealand to make a 'great dramatic leap into Asia' (Rolls 2008: 203-204).

As well as closer commercial ties, both countries have also seen a significant change in migration patterns, with an increase in new migrants from East Asia during the 1990s. In the 2006 census, 8.7 percent of Australians identified themselves as of Asian ethnicity. Across the Tasman, Asian-New Zealanders comprise 9.2 percent of the total population. They are also the fastest growing segment, and by 2020 it is estimated they will represent some 15 percent of the New Zealand population.<sup>1</sup>

These economic and demographic shifts have underpinned a greater political engagement with the Asia-Pacific region. A key part of both Australia and New Zealand's strategy has been seeking membership in multilateral economic and security institutions and through them help-

ing to shape the emerging architecture of regional cooperation. Along with Japan, Australia played a founding role in the creation of the Asia-Pacific Economic Cooperation forum (APEC), in which New Zealand is also a member. Both are ASEAN dialogue partners and active participants in the ASEAN-centred regional architecture that has emerged over the last two decades, including the ASEAN Regional Forum (ARF), the East Asia Summit (EAS), and the ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus). These multilateral institutions sit alongside an increasingly complex 'noodle bowl' of bilateral preferential trade agreements that connect Australia and New Zealand with East Asia. They are signs of a growing sense of belonging to the East Asia region that helps explain Australia and New Zealand's interest in ASEM.

### **Australia and ASEM: third time lucky**

Australia's participation in ASEM 8 was the culmination of more than a decade of lobbying. When ASEM was first proposed in 1995, Singaporean officials apparently provided assurances to their Canberra counterparts that Australia would be a founding member. Strong support was also forthcoming from the UK, Japan and Indonesia. However, Australia ran into opposition from Malaysia's Prime Minister Mahathir Mohamad, who had previously attempted to create an 'Asians only' forum with his 1990 proposal for an East Asian Economic Group (EAEG) (Aisbett 1996). Mahathir's vision of East Asia did not include Australia and New Zealand; he saw Australia as too closely aligned with the United States (US) and too focused on a free trade agenda. Rather, he sought to create a regional economic grouping that would emphasise developmental goals. Poor personal relations did not help. Mahathir had crossed swords with Australian Prime Minister Paul Keating in APEC, and the two countries had experienced fractious bilateral ties throughout the early 1990s. While Mahathir's EAEG proposal was eventually thwarted by American pressure on Japan and South Korea, his strong opposition to Australian participation in ASEM proved more effective (Dobell 2009).

John Howard's coalition government applied again at the 1998 ASEM summit in London, but there was still opposition on the Asian side. A decade would pass before the Australian government again raised the issue of membership, this time successfully having its candidacy discussed at ASEM 7 in Beijing. In May 2009, the ninth meeting of ASEM foreign ministers in Hanoi finally approved the application, paving the way for the country's full participation at ASEM 8 in Brussels.

Why, after a decade of inaction, did Australia resurrect its interest in joining ASEM? The choice looks puzzling, especially given a growing

view among analysts that ASEM was becoming less rather than more effective as it expanded.<sup>2</sup> Australia's successful application was part of an ambitious and highly personalised foreign policy agenda under New Labor Prime Minister Kevin Rudd.<sup>3</sup> Howard's government had given far greater emphasis to Australia's bilateral alliance with the US and was also sceptical about the value of multilateral institutions. Foreign Minister Alexander Downer had been strongly critical of the effectiveness of the United Nations (UN) in the run-up to the war in Iraq, and there were debates in Canberra in 2005 about the utility of signing ASEAN's Treaty of Amity and Cooperation (TAC) (McMillan 2005).

By way of contrast, Rudd (2008a) oversaw a renewed commitment to multilateralism, including a significantly expanded Australian engagement with regional organisations. In his first major foreign policy address, he noted that 'the challenges Australia faces will require a new period of active, creative Australian middle-power diplomacy. (...) Australia has a deep, abiding national interest in the furtherance of a robust, international rules-based order that underpins our long-term security, economic and environmental interests. To maximise those interests, our capacity to act effectively bilaterally, plurilaterally and multilaterally must continue to be enhanced.'

This new stance led to a blizzard of activity on the international stage. In the first months of the Rudd government, Australia applied for observer status with the South Asian Association for Regional Cooperation (SAARC), launched a strategic dialogue with the Gulf Cooperation Council (GCC) and had foreign minister Stephen Smith attend the 2009 African Union (AU) Summit. Rudd himself suggested that the Six-Party Talks addressing the North Korean nuclear issue could be made permanent and expanded to bring in new members – including Australia (ABC Radio Australia 2008).<sup>4</sup> In June 2008, he called for the formation of an "Asia Pacific Community", a vague and ultimately controversial initiative that sought to consolidate existing Asia-Pacific institutions by creating a single forum where leaders could address the key political, economic and security challenges facing the region (Rudd 2008b). Rudd's motives were multiple. As a former diplomat, he had a natural interest in foreign policy and wanted to make an impact as a statesman. The renewed interest in multilateralism drew on the tradition of internationalism that runs deep in the Australian Labor Party. But these initiatives also served pragmatic ends, for example in helping to raise Australia's international profile at a time when it was seeking election to a UN Security Council seat in 2013-14.

Although the Mandarin-speaking Rudd was seen as an Asia hand, he also sought to re-energise Australian ties with Europe. As a group, the 27 EU member states are Australia's largest export market and its largest source of inward investment. Two-way trade reached \$ 91.3 billion

in 2008, accounting for over 16 percent of Australia's total trade, although the balance of trade is weighted heavily in the EU's favour. Despite that, Australian diplomacy had been accused of focusing on its differences with Europe, particularly around agriculture, rather than common interests.<sup>5</sup> The Howard government's 1997 foreign policy white paper, for example, barely mentioned the EU, referring to it as one of 'the major European organisations' (Stats 2009: 9). Rudd was determined to reverse this. He included a visit to the European Commission (EC) in his first overseas trip, a first for an Australian prime minister and a symbol of the determination to turn 'a new page in Australia's relationship with Europe through the European Union, through the European Commission because we think there are so many areas where we can cooperate more effectively together' (Rudd/Barroso 2008). In October 2008, Australia and the EU signed a new Partnership Framework, which outlined a range of activities to enhance cooperation on issues such as climate change, energy, science and technology, and security.<sup>6</sup>

But if Rudd wanted to re-energise regional links with Europe and place Australia at the heart of debates about institutional cooperation in Asia, his most ambitious goals were at the global level. Along with the decision to seek a seat on the UN Security Council, Rudd was also instrumental in pushing for Australian membership in the nascent G20 process, an accomplishment that one commentator describes as his greatest achievement as prime minister (Sheridan 2008). The G20 quickly became a key site for discussions on responses to the global financial crisis, and it is here that a connection to ASEM becomes apparent. The 2008 ASEM7 was one of the first meetings of international leaders to be held after the scale of the global financial crisis began to be appreciated. Its agenda focused on the crisis, and ASEM provided a key forum for discussions between Asian and European leaders in the run-up to the Pittsburgh G20 meeting. For a prime minister who wanted to be a key player in the international response to the global financial crisis, Australia's absence from ASEM was a problem that needed to be fixed.

### **New Zealand: a horse in every race**

Like Australia, New Zealand has seen its relations with Europe and Asia shift dramatically in the last few decades. Once overwhelmingly dependent on the UK as an export market, New Zealand has repositioned its economy so that in 2009 more than 54 percent of its trade was with East Asia (including Australia). Eight of the country's top twelve export markets are in East Asia. Furthermore, at a time of global recession,

trade with Asia is growing rapidly. Following the conclusion of the New Zealand-China Free Trade Agreement in 2008, New Zealand exports to China increased by almost 60 percent in a single year (Groser 2009).

This economic shift has been reflected in closer political ties with East Asia. The country is an ASEAN dialogue partner, a member of APEC and the ARF, and was a founding member of the EAS in 2005. At the second track level, New Zealand has been an active member of the Pacific Economic Cooperation Council (PECC) and the Council for Security Cooperation in the Asia Pacific (CSCAP). Indeed, New Zealand has pursued a strategy of seeking membership in almost all the political, security and economic institutions that have arisen in the Asia-Pacific region in the last two decades. This reflects a genuine and growing sense of connection, but it is also driven in part by a nagging feeling of vulnerability. As an economy reliant on primary commodity exports, New Zealand fears being shut out of any emerging exclusive East Asian economic grouping. Its strategy has therefore been to have 'a horse in every race', to be part of almost every regional institution, whether organised on an Asia-Pacific or East Asian basis.<sup>7</sup> This gives it a voice in political and economic discussions but more importantly avoids the risk that it might be excluded if one of the groupings developed into a fully fledged free trade area.

The striking exception to this rule of seeking membership in almost every East Asian or Asia-Pacific regional institution has been ASEM, in which successive New Zealand governments have shown little interest. The government's 2007 Asia strategy document *Our Future with Asia* trumpets New Zealand's participation in a host of regional institutions, but makes no mention of ASEM even in passing.

New Zealand considered joining ASEM when it was first established, but after a careful cost-benefit analysis decided not to seek membership. In part, this reflected a judgement that ASEM was not a core part of the emerging regional governance structures in East Asia, as well as scepticism about its effectiveness. But the decision also reflected limited resources; officials and political leaders were already stretched in attending all the various regional meetings.

Australia's application to join, however, fundamentally changed the cost-benefit equation for New Zealand. If Australia were included in ASEM, this would leave New Zealand as the only member of the EAS outside.<sup>8</sup> This might undermine its claims to be part of the region and a constructive participant in the nascent regional architecture. ASEM membership was therefore partly about gaining 'access to our European and Asian counterparts to discuss a broad range of issues' as a foreign ministry report noted, but far more importantly, it was a way for New Zealand to reaffirm the country's credentials as a 'natural partner' for regional states and a legitimate member of Asian institutions.

New Zealand was caught off guard by the Australian and Russian decision to apply for membership. It was not until after the Hanoi ministerial in May 2009 that New Zealand officials sought approval to begin the process of applying to join. In a July 2009 note to the cabinet, the foreign ministry outlined the costs and benefits of membership. ASEM, it noted, would be an opportunity for the prime minister and foreign minister to meet 43 international counterparts. Issues that could be advanced within ASEM might include 'climate change, a more open international trading environment, pandemic preparedness, interfaith dialogue and non-proliferation'. Against that, however, officials noted that membership would have 'resource implications' above and beyond the time and expense of sending leaders to regular summits. It cautioned that 'in the medium term, there might be expectations that [New Zealand should] contribute to technical cooperation' (New Zealand Ministry of Foreign Affairs 2009: 2).

The National Party-led government agreed to seek membership, and officials applied to join as an Asian member of ASEM, sending letters to the two Asian coordinators, Cambodia and India. New Zealand officials also informed the European coordinators. Although there was no substantive opposition to New Zealand's membership, there was heated debate about procedural issues. Under ASEM rules, membership applications must be considered by the group's foreign ministers' meeting. Although Australia and Russia had successfully had their applications approved in principle at the Hanoi ministerial, New Zealand had not. This created a dilemma, as New Zealand not only wanted to join ASEM but also wanted to join at the same time as Australia and Russia. Officials worked closely with the ASEAN ASEM Coordinator, Cambodia, to come up with a solution. Ultimately, the Cambodians were able to convince other members of the Asian group that it was acceptable to solicit foreign ministers' approval outside the ministerial meeting. A collection of individual approvals took place before a consensus was eventually declared.

One final hurdle remained for Australia and New Zealand. The EC had long encouraged the Asian group in ASEM to include Australia, New Zealand and South Asian states. European states had already made clear at the Hanoi foreign ministers' meeting that they strongly supported enlargement. But uncertainty remained around some of the norms and formal processes that were to guide enlargement.<sup>9</sup> The Hanoi ministerial had tasked senior officials to 'discuss and propose criteria, principles, and procedures on the basis of the Asia Europe Cooperation Framework of 2000 regarding the future enlargement of ASEM' (Chairman's Statement, Ninth ASEM FMM 2009: para. 29). In preparation for ASEM 8, senior officials met in Brussels from 13-15 July to discuss enlargement procedures. Although both Australia and New Zealand

and had sought to join as Asian members, their place in that group was delayed due to complications arising from Russia's status. The EU declined to accept Russia as a member of the European group, which it regards as exclusively for EU member states. Concerns were also expressed by some Asian ASEM members about Russia's suitability as an Asian member. While consideration had been given to the creation of a third "Eurasian" group or a "non-EU" sub-category for Russia on the European side, neither proved appealing. Ultimately, Singapore brokered a compromise formula: the "temporary third category arrangement" where Australia, New Zealand and Russia would be part of a non-permanent third group that would allow them to participate at the Brussels summit. This solved the immediate problem but left unclear the larger questions of how the three countries will ultimately be categorised within ASEM and how future enlargement should be managed.

### **ASEM's third wave**

Given that Australia had actively sought ASEM membership for more than a decade without success, why was it successful in 2009? What had changed? Several factors seem to have helped. First, the case for an expanded membership on the Asian side was aided by the growth of ASEM's European membership. The eastward expansion of the EU in 2004 had seen the concomitant growth in the European contingent to ASEM by ten new states. The Asian group had already expanded in 2006 to bring in India, Pakistan, Mongolia and the ASEAN Secretariat, but with ten new European members it still faced a numerical disadvantage. Offering a place to Australia and New Zealand provided some way to reduce that problem.

In addition, one persistent obstacle to Australian membership of the Asia group – Malaysian Prime Minister Mahathir – had moved on. Relations had improved steadily under his successor Abdullah Badawi. In 2005, Badawi became the first Malaysian prime minister to visit Australia in 20 years, and Australian foreign minister Alexander Downer praised the state of the bilateral relationship, saying relations were 'as strong as ever' (Downer 2005). Although Badawi continued to raise questions about whether Australia and New Zealand were really East Asian, Malaysia no longer stood in the way of Australian membership (Levett 2005).

But most importantly, their admission reflects a changing sense of identity among the members of the Asian group and a growing acceptance of Australia and New Zealand as constructive participants in East Asia's regional architecture. There is a strong element of path dependency in the evolution of the Asian group within ASEM, as there is

within Asian regional institutions more generally (Capie 2011). By 2009, Australia and New Zealand had been participants in Asia-Pacific institutions like the ARF for fifteen years. As Loewen argues, “belonging” or being a member of an existing regional institution in Asia [was] a relevant factor’ when it came to the admission of India, Pakistan and Mongolia (Loewen 2010: 30). Australian and New Zealand membership in the EAS in particular, something neither Pakistan nor Mongolia could claim, significantly added to the legitimacy of their claims. This was only further supported by burgeoning links to ASEAN, such as the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), which was concluded in August 2008.

### **ASEM and the Tasman Two**

Having made it into ASEM, what then will the two new members do? Not surprisingly, having struggled to be accepted into the club, Australia and New Zealand were eager to be seen as active participants from the outset. Both sent high-level delegations to the Brussels summit. For new Australian Prime Minister Julia Gillard, it was her first international trip as prime minister. Critics noted that the new Australian foreign minister (and recently deposed prime minister) Kevin Rudd did not attend with her, but the government shrugged this off. New Zealand Prime Minister John Key was also scheduled to attend but cancelled his participation at the last minute to deal with the aftermath of a major earthquake that struck the city of Christchurch. In his place, Deputy Prime Minister and Finance Minister Bill English led a delegation that included Foreign Minister Murray McCully.

Both New Zealand and Australia see ASEM as primarily a forum for dialogue and a way to build relationships with key leaders in Europe and Asia. As the only organisation that directly links Europe and Asia, ASEM’s open and flexible agenda provides a chance for leaders to talk about the most important issues of the day. Beyond that, however, Australia and New Zealand seem likely to pursue different levels of activity within the group. Australia has signalled it wants to be an active member across a broad range of functional and political issues. As of early 2011, Australian representatives had already attended meetings on immigration, trade and investment, and education, although no single issue had emerged as an Australian priority. Canberra is currently identifying areas where it believes Australia can add value, and a review is planned in 2011 to consider areas for further involvement. Criteria for participation include how ASEM activities will align with Australia’s broader foreign policy objectives and avoiding duplicating cooperative initiatives that are going on elsewhere.



In contrast, the New Zealand government regards ASEM as primarily a political institution and seems likely to focus its efforts primarily on political interactions, particularly around the summits and ministerial meetings. Individual government departments will be encouraged to take part in ASEM-led functional initiatives, but they will need to make the case for funding to participate on a national interest basis. Like their Australian counterparts, New Zealand officials also say they will be careful to avoid duplicating activities that are going on in other institutions such as the ARF (Browne 2010).

A metaphor frequently invoked in the context of the most recent enlargement is the idea that Australia and New Zealand might be able to play the role of a 'bridge' between Europe and Asia. One observer has suggested that New Zealand's alleged lingering British connections mean it could 'act as a bridge between the two cultures and regions' (Kelly 2010: 223). Foreign Minister McCully claimed membership 'enhances our position as a natural link between Europe and Asia, two parts of the world in which we move with familiarity and enjoy close, long-standing relationships' (McCully 2010). Others see a slightly different role for Canberra. One Chinese observer comments that Australia may play 'a bridging role to strengthen ties between ASEM and the United States' (Guang 2010: 42).

While informally the two countries might be able to assist with connections between Europe and Asia, claims that they could act as some sort of 'mediator' should be viewed with more scepticism (Murray 2010: 69). Evidence of that came when European states sought Australian and New Zealand support for greater European participation in East Asian institutions. As the head of the EU's delegation to Australia, David Daly, commented, 'Europe very much supported Australian ambitions with regard to ASEM, [its] shared values with Europe will bring a strong complementary voice into ASEM. And so, we look forward to Australia applying the same logic concerning Europe's outstanding ambitions, and to Australia facilitating, to the extent it can, our desire for greater involvement in the EAS and with ASEAN' (Daly 2010). This seems to be a forlorn hope. Although Australia was a strong proponent of an expanded EAS, including both the US and Russia, and is also a supporter of the ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus) on an ASEAN-Plus-8 basis, both exclude European participation. Admission to ASEM has not seen any greater Australian or New Zealand support for European membership in East Asian institutions. Indeed, as one senior Australian official bluntly told a track-two meeting in Kuala Lumpur in November 2010, Canberra's view on participation in the EAS is that, having settled on eighteen members, 'we should shut, lock and bolt the door'.<sup>10</sup>

## Conclusion

The third wave of ASEM expansion was facilitated by an unusual confluence of interests among Asian members and would-be participants in Australia and New Zealand. After a decade of inattention, in 2008 ASEM got a fresh look in Canberra with the election of Kevin Rudd's Labor government. Rudd's ambitious foreign policy agenda and his personal interest in actively shaping new regional and global institutions like the G20 gave ASEM an appeal it had not had for the Howard government. This more positive assessment was not without an impact on Wellington. Once Australia expressed its desire to join, ASEM suddenly had a whole new importance for New Zealand. It did not want to be the only EAS member left outside. New Zealand's membership bid was therefore an identity claim as much as it was an attempt to advance any particular material interests.

Although some of ASEM's Asian members had opposed admitting Australia and New Zealand in the past, in 2009 the circumstances were more favourable. The 2004 EU enlargement had left the Asian side of ASEM at a considerable numerical disadvantage. By adding Mongolia, India, Pakistan and the ASEAN Secretariat in 2008, ASEM's Asian group had improved the balance somewhat, but in doing so it had moved away from a more exclusive notion of 'Asia', something that made it harder to justify keeping out Australia and New Zealand. By 2009, the 'Tasman Two' were also able to point to their own improved Asian credentials as founding members of the EAS and well-established participants in a wide range of East Asian and Asia-Pacific economic and security arrangements.

But if ASEM has grown and been added to the long list of global and regional institutions to which Australia and New Zealand belong, the 2010 enlargement is otherwise unlikely to usher in any dramatic changes. While the 'Tasman Two' will be keen to be seen as active and constructive participants, few in Canberra or Wellington expect ASEM to develop beyond its current role as a useful forum for dialogue. There will be ongoing discussions about the future structure of ASEM's groups, and new challenges will doubtless need to be confronted, but for the foreseeable future ASEM's value for Australia and New Zealand will be in providing an opportunity to confer with other world leaders on the issues of the day while symbolically reinforcing their growing sense of connection to East Asia.

## Notes

- 1 For more information, see the studies published by the Asia New Zealand Foundation, available online at: <http://www.asianz.org.nz/> (accessed on 15 February 2011).
- 2 See for example David Camroux, "The rise and decline of the Asia-Europe Meeting: Asymmetric bilateralism and limitations of interregionalism," *Les Cahiers Europeens de Sciences Po*, No. 4 (2006); Randolph Ramsay, "Is ASEM still relevant?" *Business Asia*, August 2003.
- 3 On Rudd's foreign policy, see Alan Gyngell, *Ambition: the emerging foreign policy of the Rudd government* (Sydney: Lowy Institute, 2008), available online at: <http://www.lowyinstitute.org/Publication.asp?pid=942> (accessed 16 February 2011).
- 4 For a favourable account of Rudd's efforts to join the Northeast Asian talks, see Greg Sheridan, "PM a genius if he gets us into this club," *The Australian*, 2 April 2008.
- 5 See for example, Annmarie Elijah, Philomena Murray, and C. O'Brien, "Divergence and Convergence: The Development of European Union-Australia Relations," CERC Working Paper Series, 3.
- 6 It is interesting that, despite lengthy comments about the need for Australia and the EU to work closely in institutions like the UN and the ARF, the Framework document makes no mention of ASEM.
- 7 Interview with New Zealand foreign ministry official, December 2008.
- 8 2010 *Chairman's Statement of the 5<sup>th</sup> East Asia Summit*, Hanoi, Vietnam, 30 October 2010, para 3. This was true at the time. With the expansion of the EAS to include Russia and the US in 2010, the United States is now the only EAS member not to be in ASEM.
- 9 For a good discussion, see Howard Loewen, "ASEM's enlargement: state to state or region to region dialogue?" in Yeo Lay Hwee/Wilhelm Hofmeister (eds.) *The Asia Europe Meeting: Engagement, Enlargement and Expectations* (Singapore: EU Centre and Konrad Adenauer Stiftung, 2010). See also Bersick, Sebastian (2010), Book Review of Yeo Lay Hwee / Wilhelm Hofmeister (eds.) *The Asia Europe Meeting: Engagement, Enlargement and Expectations* (Singapore: EU Centre and Konrad Adenauer Stiftung, 2010) in *Asia Europe Journal*, 8, 441-442.
- 10 Author's notes, Third ASEAN-Australia-New Zealand Track Two Meeting, Kuala Lumpur, 28-30 November 2010.

## 12 ASEM's Future Enlargement: The Way Forward

*Bertrand de Crombrughe\**

One of the specific achievements of the eighth ASEM summit held in Brussels on 4-5 October 2010 was that it admitted the Russian Federation, Australia and New Zealand as new members. It was not the fact that ASEM enlarged that was so peculiar. New members had joined ASEM before. At ASEM 5 in Hanoi in October 2004, ten new European Union (EU) member states who had joined the EU earlier that year were admitted together with three Association of Southeast Asian Nations (ASEAN) member states who were part of ASEAN since 1997 (Myanmar and Laos PDR) and 1999 (Cambodia). Two years later, at ASEM6 in Helsinki in September 2006, two additional EU member states (Bulgaria and Romania), three additional Asian states (India, Pakistan and Mongolia) and the ASEAN Secretariat were welcomed into ASEM. They would participate in their first ASEM summit when it met for the seventh time in Beijing in October 2008.

What was peculiar in the case of ASEM 8 in Brussels was that it resolved the longstanding request of two countries, the Russian Federation and Australia, who had been striving to join the ASEM process since its very beginning in 1996. The participation of Russia, so it was felt, would pose an identity problem to a cooperation framework based on two distinct, geographically defined regions as ASEM had known them since its inception: Europe and Asia. Russia, indeed, is part of both. In the case of Australia, the long delay was rather the consequence of the rocky relationship between the successive Australian governments and their Asian counterparts, not the least with the Malaysian Prime Minister Mahathir Mohamad. New Zealand waited all that time on the sidelines. Once Australia's accession was a done deal, New Zealand's quickly followed through. What this suggests is that the accessions of the Russian Federation and of Australia simultaneously constitute achievements and challenges. This chapter describes the process that made this development possible. Against the background of ASEM enlargement and taking into account the entry into force of the EU Lisbon Treaty, an analysis of a number of outstanding issues is provided as well as a few suggestions on how ASEM could address them and move forward.

## ASEM's enlargement procedure

ASEM is a framework for dialogue and cooperation. It prides itself on the fact that it needs few rules so that it can operate with convenient flexibility, including on issues such as an expansion of members. Nevertheless, when ASEM leaders met in the late 1990s, they took some care to explain how the already discernable accession requests from third parties would be addressed. These terms figure in the Asia-Europe Cooperation Framework agreed at the third ASEM summit in Seoul in October 2000 (the AECF 2000). Because they are the only ascertained rules with regard to ASEM's enlargement procedures, they deserve to be recalled in full here.

### VI. ASEM participation

28. *Building on the conclusions of ASEM 1 in Bangkok and ASEM 2 in London, the following principles should guide future enlargement of the ASEM participation:*

- *the ASEM process, which is open and evolutionary, is intended to reinforce the Asia-Europe partnership,*
  - *enlargement should be conducted in progressive stages,*
  - *each candidature should be examined on the basis of its own merits and in the light of its potential contribution to the ASEM process,*
  - *the two-key approach: a final decision on new participants will be made by consensus among all partners only after a candidate has first got the support of its partners within its region,*
  - *any decision regarding the admission of new participants will be taken by the Heads of State and Government on a consensus basis.*
- (Asia-Europe Cooperation Framework, § 28, adopted at the third ASEM summit, Seoul, 20-21 October 2000)*

This language basically pronounces enlargement to be an endemic feature of ASEM. Enlargement is said to be a good and desirable development. The only condition is that it must fit the overall design of a reinforced Asia-Europe partnership, i.e. a partnership in which the two distinct regions remain clearly associated. This appears to be the reason why a two-key approach was chosen and why the accession procedure is organised in two stages. A candidate must first obtain the endorsement of the geographical group to which it allegedly belongs. It is only after this is obtained that the request can be considered in plenary by all the ASEM heads of states and government. That procedure would normally imply that the geographical footprint of Europe and Asia would be clear. Yet nowhere in ASEM documents is there language that identifies the two regions in great detail.

Looking for guidance elsewhere, a possible reference could be the composition of the voting groups in the United Nations (UN) General Assembly. The Russian Federation there belongs to the Eastern European group, along with a number of EU member states, whereas Australia and New Zealand belong to the Western European and Others Group (WEOG), also along with a number of EU member states. Another possible reference could be the way the UN Statistical Division defines Europe and Asia. Here, the Russian Federation belongs to Europe, while Australia and New Zealand belong to Oceania, which is a region that is clearly distinguished from Asia. Though interesting, none of these references appear authoritative, and still other classification methods could be invoked. For instance, one could take recourse to a straightforward concept of 'east' and 'west' which would place Australia and New Zealand in the 'east' but would hardly be of help in the case of Russia. Another method would be to use a matrix identifying historical, political, economic, social or cultural affinities. In this context it may be noted that the Russian Federation, apart from being anchored in European organisations such as the Council of Europe and the OSCE, is also a long-time member of APEC, a founder and an active member of the Shanghai Cooperation Organisation and is also just about to join the East Asia Summit (EAS).

In fact, there is no easy straightforward manner to place Russia or for that matter Australia neatly in the Asian or the European region as required by the ASEM procedure. Hence there is only one rational conclusion to draw: in such cases, politics are in command on how to orient candidates wishing to join.

### **The accession process of the Russian Federation and of Australia**

As it happened, both the Russian Federation and Australia took their latest initiative in advance of ASEM7 in Beijing in 2008. They filed their requests to be admitted with the Asian group. For Australia, it was the clear choice of Prime Minister Kevin Rudd who wanted to connect his country more closely to the economies of Asia. For the Russian Federation, it was the consequence of an earlier enquiry about the possibility of being admitted as a member of the European group. The European side had replied that this could not be envisaged because the Russian Federation was not a member of the EU. Straddling both regions, the Russian Federation then thought it had a choice. It resolved to apply on the Asian side.

This development caused anger with the Asian members of ASEM. They viewed the European attitude as an indication that the European group in ASEM would grow only with the expansion of the EU mem-

bership itself. And that they considered to be tantamount to a denial of the 'open and evolutionary' character of the joint cooperation framework. The process of accession to the EU being beyond the proportions of the needs of ASEM, one of the consequences would be that countries such as Norway or Switzerland, should they wish to join, would have little choice but to seek accession as Asian countries: a rather absurd proposition. The Asian side argued that the EU should form a sub-group within a larger European group in much the same way that ASEAN forms a subdivision within the larger Asian group. Yet as the procedure stood, and with the Russian Federation and Australia having requested accession on the Asian side, it fell upon the latter to first take a stance. This was also strongly resented. From the Asian point of view, Russia is a European country and the decision on whether or not to admit Russia should not be incumbent on them. Also, there was a feeling that after accession and for coordination purposes, Russia would not have its place in the Asian regional group. To Australia, the Asians explained that its candidature to the Asian group in itself did not create any difficulty. However, under the circumstances, it was difficult to decouple the two applications. Thus, the whole issue of the two applications was in dispute. As a consequence, the Beijing ASEM summit of October 2008 did not act upon these accession requests.

It then came to a head in Hanoi at the ensuing foreign ministers' meeting. Some ASEM members were very much in favour of Russia's and Australia's accession, even as members of the Asian group, and pushed hard for Russia and Australia to be admitted. The negotiations came to a stalemate, which then triggered a daring move by Singapore: it proposed the creation of a third grouping alongside the European and Asian ones. It would provide a home to the Russian Federation and to Australia, so it was said, and it would also – over time – be suitable to include Central Asian states or other Pacific Ocean states, which one day might show interest. The idea ran afoul of established features of ASEM, not least its bi-regional structure and its corresponding ambition to become the Europe-Asia leg in the triangle shaped further by the Asia-Pacific Economic Cooperation forum (APEC) (which includes the participation of the US) and the Transatlantic Partnership (between Europe and the US). It also put the accession procedure on its head, since it implied the circumvention of the regional screening test written into the AECF 2000. Furthermore, when the issue became the creation of a third group, it became the responsibility not only of the Asian side but also the European side to make a pronouncement on the Russian and Australian candidatures.

Because of its revolutionary nature, the proposal – unsurprisingly – did not take hold right away. Still, a step in its direction was made. The exact language agreed by the ministers in Hanoi ran as follows:

*The Future of ASEM*

29. Ministers welcomed the applications of Australia and Russia to ASEM and mandated Senior Officials to work out modalities to enable both countries to formally join ASEM at the ASEM 8 Summit in Brussels in 2010. In light of growing interest from other countries to join ASEM, Ministers also mandated Senior Officials to discuss and propose criteria, principles and procedures, on the basis of the Asia-Europe Cooperation Framework of 2000, regarding the future enlargement of ASEM.

(Chair's statement of the ninth ASEM foreign ministers' meeting, Hanoi, 25-26 May 2009, ¶ 29)

In essence, the compromise meant agreement on the accession of Russia and Australia at the Brussels summit, though the two candidates failed to get initial support in either of the two regions. Asians and Europeans in fact took a joint decision, deliberately leaving the geographical issue undecided. At first sight, it looked like an agreement not to apply the agreed rules. Upon reflection, however, it represented an elegant solution to a case in which the proper regional group to which a candidature for accession had to be submitted was in dispute. As already seen, the AECF 2000 provided little guidance on what to do in such a case. The compromise now also meant that the discussion would shift to the so-called modalities to be defined. If not as part of either of the two geographical groups, how then would Russia and Australia take part in the ASEM meetings and activities? Modalities were clearly required to complete the accession process of the two countries concerned and had to be agreed by the time of the Brussels summit at the latest. Furthermore, in recognition of the deeper issue about geographical uncertainty, ministers added a longer-term mandate to review the accession process as a whole. However, on this precise mandate, they did not impose a timeline. So, efforts were naturally focused on the urgent modalities issue for Russia and Australia, which fortunately would not be sidetracked by any other extraneous considerations. Both the Russian Federation and Australia helpfully signalled their readiness to accept whatever modalities could be agreed upon among existing ASEM members.

The next step was taken at the ASEM coordinators' meeting in Stockholm on 1 October 2009. In the name of the entire Asian side, Cambodia tabled a refined proposal. Instead of a third geographical group, a third category of members with no geographical definition should be created. Also, the category would be a temporary one, pending the resolution of the 'geographical belonging' issue which according to the Asian side remained open. To present the third category as a temporary one, in particular, offered the advantage that the permanent rules of the AECF 2000 would not require any immediate change. This was a clever



proposal because it allowed everyone to maintain their standpoint. Hence, the European side did not find it too difficult to accept. At the end of October 2009, the Swedish rotating EU presidency wrote that the European group in principle could agree, but that it would like to stress the importance of carefully considering and jointly agreeing on more detailed modalities ensuring the continued effectiveness of ASEM's work. There were, indeed, lingering questions on the European side about how a temporary third category of members in ASEM would work in practice.

The main issue appeared to be whether the new members, Australia and Russia, would take part in the coordination mechanism. The AECF 2000 provides that 'ASEM Coordinators appointed by their respective regions shall facilitate the coordination of the ASEM process' (AECF 2000, § 22). The third category not being defined as a region, the implication would be that they would not be represented in the coordination mechanism. In that case, the concern existed that they would be less-than-equal members. Inversely, if it were decided that they should participate in the coordination mechanism, despite not forming a separate region, the concern arose that this would be unequal, since all other ASEM member countries – as a consequence of the large number of members in their groups – would have to wait longer for their turn to take part in the coordination mechanism.

Lesser concerns were further expressed. What about the Europe/Asia alternation principle in hosting ASEM summits and ministerial meetings or the Europe/Asia co-chairing practice in ASEM conferences and seminars? Would third-category members take turns in these? Would they be allowed to lead ASEM initiatives or host ASEM events? Also, would the existing enlargement procedure be affected by the third category? Because the third category is not a geographical group, it is not qualified to receive applications and proceed with the geographical screening test. ASEM candidates would as before have to apply either through the European or through the Asian group. This would leave members of the third category out of the decision process up until the plenary stage of the procedure, i.e. when heads of state and government give their formal consent to the accession of new members.

One area that was much less of an issue was the relationship between third-category members and the Asia-Europe Foundation (ASEF), the ASEM Foundation established in Singapore with the mandate to stimulate people-to-people contacts. Australia and Russia should simply become members, contribute financially and in a meaningful way participate in ASEF activities. There seemed to be no consequences here of them belonging to a temporary third category.

By the time of the ASEM senior officials' meeting (SOM) in Madrid on 25 January 2010, the realisation had sunk in that most of these inter-

rogations were not of a fundamental nature. In due time, third-category members would of course be able to host and chair or co-chair ASEM summits, ministerial meetings and other events, just like any other ASEM member. As a rule, these are decided by consensus in plenary, also when 'regular' members step forward with offers. Thus, third-category members would always be able to leverage their way into these opportunities. As regards coordination, it was increasingly felt that the apparent difference in status could be softened by raising the transparency of coordination meetings to a new level, for instance through the practice of 'open' coordination meetings (where the full ASEM membership is allowed to sit in as observers) or through ad hoc de-briefings of third-category members. To make things easier, Moscow and Canberra signalled again that they were utterly flexible with regard to the modalities being discussed. The impact of the third-category idea on the enlargement procedure did not have to be addressed urgently either. For one thing, the ministers had given a longer-term mandate on the issue. For another, there were no pending candidatures.

Thus, the Madrid meeting, chaired by the Spanish EU rotating presidency, was able to close in on the 'modalities' issue. On the basis of ideas handed in by Belgium, it agreed on the following lines. The text is reproduced in full because it is not available in any publicly accessible record.

1. *We recall the decision of ASEM Foreign Ministers at their 9th Meeting in Hanoi on 25-26 May 2009 to welcome the applications of Australia and Russia to ASEM and to mandate Senior Officials to work out modalities to enable both countries to formally join ASEM at the ASEM 8 Summit in Brussels in 2010.*
2. *In order to fulfil the mandate by the FMM, ASEM SOM agreed to make a temporary third category arrangement for Australia and Russia to participate in ASEM.*
3. *Prior to ASEM 8, representatives of Australia and Russia are invited to attend plenary SOM meetings and other ASEM activities as guests of the Chair.*
4. *ASEM will continue to maintain the current practice of having four coordinators, two from Asia and two from Europe.*
5. *SOM will continue to work on the criteria, principles and procedures for the future enlargement of ASEM on the basis of AECF 2000.*

*(Agreed text as of 25 January 2010, 1725hrs, ASEM senior official meeting, Madrid, 25 January 2010)*

Through this text, members accepted that no elaboration was needed on how exactly the third category would operate. Indeed, the consensus

principle in ASEM allowed the adoption of a very pragmatic approach in this respect. Besides, and interestingly, the text reiterated that ASEM would continue to operate with only two coordinators per region: from Europe and Asia. This constituted a clear signal that no changes in these numbers were being contemplated in connection with the creation of a temporary third category of members. Also, the reaffirmation of the AECF 2000 as a basis for future consideration of the enlargement issue should be noted. It stands as evidence of the continuing strong attachment to the inter-regional nature of the ASEM cooperation framework as it presently exists.

### **The accession process of New Zealand**

By comparison, the accession of New Zealand was a simple affair. Wellington presented its candidature to the Asian side in April 2010, shortly after the Madrid formula was found. The Europeans were quick to signal that they were in favour, even though the procedure would normally have had them wait until the Asian side expressed a coordinated position. As it went, the Asian side readily proposed that New Zealand join ASEM as a member of the third category, just like the Russian Federation and Australia. This was endorsed almost without discussion at the ASEM senior officials' meeting that took place in Phnom Penh on 5-6 May 2010.

### **The longer-term mandate of the Hanoi ministerial**

Satisfactory modalities having been established to enable the accessions of Australia and the Russian Federation and eventually also of New Zealand, ASEM senior officials then turned to the longer-term mandate of the Hanoi ministerial. The issue was addressed at the ASEM senior officials' meeting held in Phnom Penh on 5-6 May 2010. During this meeting, a number of clarifications were sought from the European side. One was whether a moratorium on new enlargements should be instituted, the underlying consideration being that guidelines for granting membership status in ASEM were unsatisfactory. Also, the count in ASEM having reached 48 members, it was suggested that consolidation of the ongoing work was needed more than the consideration of additional applications. Another question was how long the temporary third-category arrangement would be kept. Still another question was how it could be ensured that non-EU European countries could accede to ASEM. Or, put in other words, could the European group demonstrate that it did not view ASEM as a bloc-to-bloc cooperation, i.e. as a

cooperation driven by the EU bloc on the one side while there was evidently no Asian bloc on the other side?

Driving further the last point, and keeping in mind the Madrid agreement to stick to two coordinators on each side, an ultimate question related to the possibility for the EU to give up one coordinator position. That position would then go to a sub-group within the European group that would comprise non-EU members. The Asian group, it was recalled, comprises both ASEAN and non-ASEAN members and distributes its coordinators over the two subgroups.

As could have been expected, a discussion based on these elements did not yield substantive results. The European side evidently had difficulties with a moratorium that could possibly delay the entry into ASEM of member states acceding to the EU in the near future. Nor did the idea of giving up a coordinator to a thus far undefined 'other European' subgroup appear very attractive. If anything, the discussion indicated that there was continuing discontent on the Asian side about the absence of any mechanism to accommodate potential non-EU European members into ASEM. Also, it was made abundantly clear that a resolution of this issue would be necessary if one day the temporary third category were to rejoin ASEM's mainstream structures.

The ensuing ASEM senior officials' meeting held in Brussels on 14-15 July 2010 focused entirely on the preparations for ASEM 8. It devoted only a little time to the longer-term mandate of the Hanoi ministerial. It only agreed to strive to produce a report by the time of the next ASEM meeting of foreign ministers in Hungary in 2011. Hence, the Brussels ASEM summit confined itself to formalising the accession of Russia, Australia and New Zealand. It meant that the temporary third category of members had been launched. It deserves to be noted that the longer-term issue was not even raised in any of the interventions of the heads of state and government in the course of the summit.

### **The European group in ASEM, the EU and the Lisbon Treaty**

The fundamental reason for the creation of a temporary third category of members is not so hard to ascertain. It was the political impasse regarding the ASEM geographical category to which one, or perhaps both, of the 2008 applicants should eventually belong. No overriding argument was found to solve it, either for Russia or for Australia. Therefore, it should be no surprise that Australia's candidature (and New Zealand's for that matter) was linked in the end to Russia's and that they were both referred to a newly created third category.

Throughout the two years of discussions, the arguments of the Asian side had been persistent and consistent. They took aim at the refusal of

the European group to even consider applications from non-EU member states to the European group. Clearly, Asia feels that this is not in line with the 'open and evolutionary' approach agreed upon as a basic ASEM principle. Its view is that by acting this way, the European group portrays itself as the EU and hence unfairly confronts the diversity of Asian states with a united bloc, sidelining the Asian expectation of unprejudiced dialogue and cooperation among equals. The Asian side talks of a 'structural disadvantage' or, as an Asian ambassador put it, has the impression of 'playing soccer as an amateur team against a well trained and well directed professional club'. The use of the word 'against' in the context of ASEM is somewhat puzzling, but this is the reality of international relations.

Unsurprisingly, the European view is different. The European group claims it is only applying the two-key approach written into the AECF 2000 as it was designed. It claims sovereignty on this and, what is more, has been applying it in a consistent manner. Prospective member states of the EU, who in the recent past lobbied hard to join ASEM before time, were kept at bay until their accession to the EU was completed. Anyhow, it is not deemed proper for any side to pass judgment on the way the other implements its leg of the two-key approach. Moreover, if the argument is about 'turning down' a prospective candidate, would that not put Europe and Asian at par? After all, Russia and Australia are presently members of neither group because each of the two existing regional groups had taken similar negative attitudes. Another more positive way to look at the third category development is that it embodies a joint solution that was separately eluding both sides. Also, the theological issue of whether the Russian Federation is a European or an Asian country was aptly circumvented. There are doubts that this issue can actually be solved. It is a question that could remain the object of honest disagreement for ages to come.

As a matter of fact, the source of the whole issue can be traced back all the way to 1995. At that time, the EU member states were discussing a mandate for the Spanish rotating EU presidency for agreeing the terms of the first ASEM summit scheduled in Bangkok in March 1996. As the author personally remembers, the Spanish presidency at that time duly explained that the Asian side objected to the 'European Union' figuring as a partner in the appellation and insisted on the vaguer concept of 'Europe'. In the opinion of the EU member states, this did not matter much. There could be no doubt about who the partners in the Europe-Asia Meetings actually were. On the European side, it clearly was the EU since the negotiation was conducted by the EU presidency on the basis of a mandate of the member states, and actual practice would bear this out. The two European coordinators at all times have been the European Commission (EC) – an EU institution – and the ro-

tating EU presidency, another EU institution. The funding from the European side during all the years of ASEM's existence has come mostly from an EU institution, the EC. The ASEM summits in Europe in 1998 (London), 2002 (Copenhagen), 2006 (Helsinki) and 2010 (Brussels) were hosted each time by the rotating presidency of the EU. The membership of the European group has always corresponded exactly to the membership of the EU, not by coincidence but by rule.

On the European side, the dialogue and cooperation in ASEM are viewed as an integral part of the Common Foreign and Security Policy (CFSP) of the EU. To include non-EU members in a European group would prematurely acquaint them with EU decision-making, something that would be sensitive, especially considering the ongoing accession, association, partnership, cooperation or neighbourhood negotiations that the EU is conducting with all other countries of the European continent.

The consequence of all this is that the 'open and evolutionary' principle, as viewed by the Asian side, is likely to be left by the wayside for the foreseeable future. On one occasion, it proved necessary to paper over the lingering disagreement. This was at the Helsinki summit in 2006, where 10 new EU member states were admitted along with the three latest ASEAN members. ASEM leaders strived to address appropriately the claim by the European side that the ongoing enlargement of the EU would automatically entail the enlargement of the European side of ASEM. Leaders eventually settled on the following language: 'The Leaders, emphasizing the need to consolidate the ASEM process after the enlargement, agreed to consider future enlargement, taking into account the continued EU enlargement and important role of other candidates' (Chair's statement of the fifth ASEM summit, Helsinki, 10-11 September 2006, § 6.3).

With European integration moving steadily forward, the situation over time may become even more acute. The Asian side is bound to experience that the positions of the European members of ASEM, even when they are expressed by national leaders, present increasing degrees of commonality. In this sense, the entry into force of the Lisbon Treaty on 1 December 2009 has added another layer to the lingering issue of the profile of the EU within ASEM. It has changed the way the EU organises its external representation. On issues of foreign policy, the rotating EU presidency has been abolished. Now, the semi-permanent President of the European Council and the High Representative of the Union for Foreign Affairs and Security Policy speak in the name of the EU. For all other subjects of EU competence, the President of the EC is the representative.

Well ahead of ASEM 8, host country Belgium had dutifully explained that, with the Lisbon Treaty now into force, the President of the European Council rather than the Belgian prime minister would chair the

summit. The Asian side did not hide its unease about this. At the senior officials' meeting in Phnom Penh (5-6 May 2010), the comments were explicit and ran as follows. The chair arrangement proposed by Belgium could not imply Asian acceptance of the 'EU equals Europe' view. Nor could it change ASEM, which was conceived as a dialogue between Asian and European states, not between Asia and the EU. Also, the chairing by the President of the European Council should not set a precedent for future summits hosted by European partners and should not lead to the lowering of the level of the European representation. The concerns were very clear. The impact within ASEM of the new treaty obligations on the European side aggravated the feelings which had incidentally just been tested by the issue of Russia's accession to ASEM. Also, there was major apprehension that, with the EU institutions taking on a greater role, the individual member states of the EU would gradually lose interest in direct dialogue with Asian partners in ASEM.

On the face of it, the fears have proven premature. Overall, under the chairmanship of European Council President Herman Van Rompuy, the ASEM 8 summit in Brussels did not proceed differently from the other summits before it. The European Council President did not act as spokesman for the EU but as a chairman-facilitator of the dialogue, much in the way rotating presidencies of the EU or Asian summit chairs had done before him. The attendance was high. Of all Asian participants, 13 out of the 17 were represented at the level of head of state or government or vice-prime minister. The figures are 24 out of 28 for the European participants (the President of the European Council not included) and 2 out of 3 for third-category members. The engagement by all sides was intense, demonstrating that the requirements of a high-quality Asia-Europe dialogue in ASEM and the institutional developments within the EU need not be incompatible. The member states of the EU displayed a sustained and high interest in taking part in ASEM, thus reaffirming the strategic asset it represents in their relations with Asian nations.

### **Alleviating concerns and moving forward**

Overall, the discussions about the future enlargement of ASEM and the related issue of the EU's profile within ASEM produced no negative consequences for the atmosphere and the work during the Brussels summit. This should not, however, lead to the conclusion that the sensitivities do not exist or that there is no need to address them.

As a first suggestion, ASEM should search for a better term than 'third category'. These words have an unfortunate connotation implying

a lower rank, which contradicts the desire expressed by all ASEM members to fully integrate the new members and cooperate with them on the basis of strict equality. For usage alongside 'European' and 'Asian' members, more neutral appellations such as 'other members' or 'not geographically bound members' or 'middle members' would seem to be better choices.

Secondly, utmost care should be taken to ensure that the Russian Federation, Australia and New Zealand have the possibility to partake fully and on par with others in the activities of ASEM. The Madrid compromise of January 2010 hinted at such pragmatism. Hence, the ASEM plenary should welcome suggestions, ideas and initiatives coming from the three new members, exactly as was the practice among ASEM members before their accession. Also, the rule of Asian-European co-chairmanship should not be a rigorous one. The new members should not have to encounter any more difficulties to access co-chairmanship than the older members. Co-sponsorship and balance in participation would appear to matter much more. Similarly, geographic alternation in the hosting of meetings should be interpreted broadly. At an appropriate time in the future, new members will presumably offer to organise a ministerial or even a summit meeting. The ASEM membership should then display good will and decide, in the right proportions, when and which more traditional Asian and European turns and venues can be skipped over or postponed. None of these suggestions would run against existing AECF 2000 rules.

As regards coordination, the Belgian host of ASEM 8 observed the following practice. On the margins of the coordinators' meetings of 13 July and 2 October 2010 in Brussels, it de-briefed the new members in exclusivity so as to balance out the de-briefings that the coordinators hold for their respective geographical groups. When coordinators' meetings were held detached from senior officials' meetings such as the one on 5-6 September 2010 in Seoul, an 'open' format was used, i.e. with observers from the full ASEM membership present in the room, including the – at that time – prospective new members. This format was helpfully inaugurated by Sweden in Stockholm for the coordinators' meeting of 1 October 2009. It sends out a signal of inclusiveness and fosters transparency, in particular to the benefit of those members that are not formally represented in the coordination body, such as the 'middle members'. Further such practical measures could be devised. For instance, when 'middle members' would need to raise an issue at a coordinators' meeting, they could be given the possibility to do so through one of the existing coordinators on an ad hoc basis. Alternatively, they could be assigned one of the existing coordinators to represent them for a set period and take care of their possible specific interests. That role could perhaps, in an even more neutral way, be entrusted to the



host of the next summit, since leaders at ASEM 8 decided that the host of the upcoming summit would henceforth be part of the coordination mechanism. All this would not require any change in the AECF 2000.

The enlargement procedure, for its part, does not leave much room for specific accommodation of the 'middle members', in particular as regards the initial stage of geographical screening. That would require either dissolving the temporary third category by letting its members join existing groups, or promoting the third category to a fully fledged group or else revamping the ASEM structure so as to redefine or maybe even suppress geographical groups. All these alternatives touch upon the essence of the inter-regional structure of ASEM and therefore are not likely to happen soon. There is indeed no readiness to review that feature of ASEM, as was demonstrated by the compromise reached at the Madrid senior officials' meeting of 25 January 2010. Incidentally, is the present situation not a clear indication that members do not want to re-engineer ASEM's founding principles?

Naturally, members willing, forthcoming enlargements can still be completed through the existing two-key approach. Under this procedure, 'middle members' have a say, though not at the geographical screening stage, when their agreement is required to achieve consensus at the level of heads of state and government. It will be tested soon with Bangladesh, which has been an applicant since August 2010. Its status as an Asian country is not in dispute. Bangladesh should easily be cleared by the Asian group and its joining of ASEM swiftly formalised at the next ASEM summit in Vientiane in 2012. Thus, its accession should not constitute a challenge to the existing enlargement procedure. Things may be different when, say, Turkey or an East European, Caucasian, West Asian or Central Asian state expresses its wish to join. And of course, when the EU enlarges again and asks for admission of its new member states, the Asian side might call for a new examination of the whole issue.

Even more important, it seems, would be to develop the substance of the cooperation with the new members. All three – the Russian Federation, Australia and New Zealand – bring new potential to the agenda of dialogue and cooperation among ASEM members, and each in their own way. Developing and articulating this potential and generating a flow of useful, profitable and attractive activities would demonstrate the added value of their participation for the whole membership. This should have the effect of reducing the relevance of procedural issues and spur, where necessary, practical, spontaneous and non-controversial solutions.

Lastly, a connection may be seen with the development of the working methods of ASEM (see chapter 4). Today, the coordinators for Europe and Asia assume the important task of stimulating the agenda and

of ensuring the transparency of the work being accomplished. Coordinators do this with few means and therefore in a less than systematic way. Establishing a technical support team or, more daringly, an ASEM secretariat would go some distance to ensuring professional, neutral and objective service to each and every ASEM member regardless of their geographical or non-geographical classification. It would pre-empt lingering questions about the representativeness of the present coordinators and, at the same time, address a number of existing flaws in the flow of information. Killing two birds with one stone, it would strengthen equal treatment among ASEM members and mark a step towards streamlining and building more consistency in ASEM's work programmes to the benefit of all partners, without geographical prejudice.

In the chair's statement of their Brussels meeting, ASEM leaders tasked senior officials to come up with relevant and practical proposals in this respect. Recommendations are to be submitted to the ASEM foreign ministers for consideration at their forthcoming meeting in Hungary in June 2011. This mandate may prove a good opportunity to address some of the unease that has set in as a result of the creation of a temporary third category of members. Also, it can be done without upsetting the Asia-Europe binomial and the inter-regional identity that lies at the foundation of ASEM and which ASEM members appear keen to preserve.

\* The opinions expressed in this article are the personal considerations of the author and do not reflect official policy of the Belgian government nor can they be attributed to it.



## **Annex 1**

# **CHAIR'S STATEMENT of the Eighth Asia-Europe Meeting**

Brussels, 4-5 October 2010

### **'Greater well-being and more dignity for all citizens'**

1. The Eighth Asia-Europe Meeting was hosted by Belgium in Brussels on 4 and 5 October 2010. The meeting was attended by the Heads of States and of Governments of forty-six Asian and European countries, the President of the European Council, the President of the European Commission and the Secretary-General of ASEAN.
2. The overarching theme of the Summit was "Quality of life, achieving greater well-being and more dignity for all citizens". The President of the European Council chaired the meeting.
3. A warm welcome was extended to Australia, New Zealand and the Russian Federation, who attended an ASEM Summit for the first time and, on this occasion, became ASEM members.
4. Leaders reaffirmed the strategic dialogue and cooperation between Asia and Europe on the basis of equal partnership, mutual respect and benefit. They noted with appreciation the results of the meetings of the Education Ministers, the Foreign Ministers, the Energy Ministers, the Transportation Ministers, the Finance Ministers and the Culture Ministers held since the Seventh Asia-Europe Meeting and endorsed their recommendations.
5. The meeting established common ground between Asia and Europe on topical issues of mutual interest to both regions as follows:

### **Towards More Effective Global Economic Governance**

6. Leaders held a candid, open and fruitful discussion on the present global economic situation. They issued a separate Declaration reflecting their common views.

## **Advance on the path of sustainable development**

7. Following up on the Beijing Declaration on Sustainable Development adopted at their meeting in 2008, Leaders considered ways to further advance the common objectives of economic development, social cohesion and environmental protection, the three mutually reinforcing and interdependent pillars of sustainable development leading to greater human well-being.

8. They reaffirmed their commitments to the internationally agreed development goals, including the Millennium Development Goals (MDGs). They underscored the importance of the UN High-Level Plenary Meeting in New York on 20-22 September 2010 and the upcoming UN Conference on Sustainable Development scheduled in Brazil in 2012 (Rio + 20).

9. Taking into consideration the rich variety of cultures represented in Europe and in Asia, they agreed to the following:

### *Economic development*

10. Leaders stressed that the reforms considered necessary in response to the global economic crisis constituted an opportunity to lay the basis for a more sustainable model of development.

11. As a first priority, the demand for goods and services as well as investments have to be encouraged since they are the drivers of economic growth and job creation across countries. To this effect, the progressive liberalization of domestic and international markets must be pursued. Leaders reiterated their resolve to conclude the WTO Doha Development Agenda promptly with an ambitious, comprehensive and balanced outcome consistent with its mandate and based on progress already made, as this would represent a single most important contribution to the objective. Leaders further agreed that all forms of trade protectionism should be rejected and that existing tariff and non-tariff barriers should be rolled back without delay. In order to promote economic growth and development, leaders also reaffirmed the need for a fair and rule-based multilateral trading system under the WTO.

12. Leaders also supported the innovation of products, services and production processes. Innovation, especially the introduction of environmentally friendly, resource-efficient and clean technologies, can help economies restructure themselves in response to the crisis and achieve more sustainable patterns of economic development.

13. Hence, Leaders resolved to foster policies that facilitate the dissemination of these types of technologies, especially to the benefit of developing countries. With this in mind, they tasked Senior Officials for Trade and Investment to convene an informal meeting at an early op-

portunity and to identify the scope and range of possible new activities. Using the experience of ASEM partners in promoting sustainable development, these should constitute a comprehensive dialogue with a view to identifying and examining trade and investment barriers as well as market distorting mechanisms that hamper the deployment of new environmentally friendly, resource-efficient and clean products and technologies. The dialogue should furthermore focus on possible new incentives with a similar positive effect on the advancement of sustainable development, just as ASEM governments face pressing issues of regulation and public policy. Eventually, the dialogue should help ensure that sustainable development policies, including environmental measures, do not lead to arbitrary or disguised restrictions on international trade. Leaders expressed their expectation that this work would lead to a resumption of the meetings of the Economy and Trade Ministers of ASEM. They also decided that the dialogue should be conducted in close consultation and with the input from both the Asian and European business communities.

14. Leaders took note of the constructive, ongoing activities under the Trade Facilitation Action Plan and Investment Promotion Action Plan and of the dialogue on Intellectual Property Rights. They welcomed in particular the work achieved under the direction of the ASEM Customs Director-Generals and stressed the desirability of further stepping up this kind of cooperation.

15. Leaders emphasized the importance of financial stability and of the availability of development finance for developing ASEM partners. They stressed that the financial markets of Asia and Europe could be more integrated and that considerable scope existed for expanding the offer of services to potential traders and investors operating in the two regions. In this context, they welcomed the recommendations of the Twelfth Business Forum held in Brussels on the margin of the Summit.

16. Following up on the First ASEM Ministerial Meeting on Transportation in Vilnius in October 2009, Leaders agreed on the desirability of cooperation to fill in missing links and eliminate bottlenecks, justifying the establishment of an action plan that would also pursue the objective of sustainable development. The accession of the Russian Federation offers in this regard new and important perspectives. Leaders thanked the People's Republic of China for offering to host the Second Transportation Ministers' meeting in 2011.

17. Likewise, Leaders underscored the importance of information and communication technologies, in particular broadband networks and applications promoting socio-economic activities, as catalysts for globalization and innovation and as positive agents of sustainable economic development. They called for increased research and development cooperation, for technical assistance, for transfers of technology and of

know how, especially to developing countries, so as to help bridge the digital divide among ASEM partners.

18. Leaders noted that these initiatives would enhance the connectivity between Asia and Europe. In this context, they hailed the efforts to promote ASEAN Connectivity as important intra-regional linkages, opening opportunities for the sharing of experiences and for further cooperation.

19. Leaders supported agricultural policies and programs that ensure the realization of the right to food. They recognized the importance of the Global Partnership for Agriculture, Food Security and Nutrition, of which the FAO Committee on World Food Security is a central component, in supporting sustainable, country-led food security policies and international coordination. They specifically encouraged infrastructure development, responsible investments and intensified scientific research with a view to increasing sustainable agricultural production and fostering rural development, recognized as essential in the fight against hunger and poverty and in which the role of women must be duly recognized. In the interest of ensuring sustainable forms of agricultural production, Leaders stressed the need for well-functioning global and domestic agricultural markets. They called on all partners to phase out export subsidies, including through the WTO Doha Round negotiations, and to improve market access while also jointly addressing food supply and income enhancement issues as well as environmental challenges.

20. Leaders noted that well-defined regional and sub-regional mechanisms and initiatives hold considerable potential for efficient, result-oriented cooperation on economic development and poverty reduction. They stressed that the Greater Mekong Subregion, the Mekong River Commission and the Ayeyawady – Chao Phraya – Mekong Economic Cooperation Strategy (ACMECS) constitute frameworks holding strong potential for cooperation activities between Asia and Europe.

### *Social cohesion*

21. Leaders stressed that social cohesion rests on the widest possible participation of people in the creation of prosperity and on the equitable distribution of income.

22. They agreed to promote decent work by spurring job creation and labor participation. They reiterated their support for the Global Jobs Pact of the ILO adopted in June 2009, which promotes practical measures to help recover from the crisis and stimulates 'growth with employment'.

23. Leaders stressed that effective implementation of ILO fundamental principles and rights to work are of crucial importance. Violations

cannot be invoked or otherwise used as a legitimate comparative advantage, and labor standards should not be used for protectionist purposes, as stipulated in the 2008 ILO Declaration on Social Justice for a Fair Globalization. Leaders underlined the importance of strong labor administrations and inspectorates to ensure proper implementation.

24. Leaders concurred that specific attention should be given to migrant labor, including the respect of the human rights of migrant workers, particularly of the most vulnerable ones. Recognizing the link between development and migration, they called for the sharing of best practices and the exploration of comprehensive approaches with a view to developing shared benefits of legal migration among ASEM partners and effectively addressing irregular migration, including enhanced return policies. Leaders agreed that, when accorded the protection of non-discriminatory rights to work according to domestic law and regulations, migrants may effectively contribute to the development of their communities in host countries and in their countries of origin.

25. Leaders stressed that effective dialogue between social partners should be encouraged in order to promote mutual understanding on issues of productivity, working conditions, remuneration and economic change. Such dialogue also contributes to effective national policy design and implementation. In times of crisis, schemes negotiated through social dialogue such as cost-cutting measures reducing working hours have helped in limiting negative effects on overall employment levels.

26. Leaders supported the promotion and implementation of corporate social responsibility through national and international instruments and voluntary initiatives. These help employers develop joint ownership of core labor standards, social stability and social justice with their employees. Alongside, skill development objectives can also be served.

27. Leaders recalled how social safety nets operated in times of crisis as an economic stabilizer and not just as a welfare or redistributive mechanism. Social safety nets can foster equal opportunity, remove barriers to social mobility and produce beneficial effects on the allocation of resources, sustainable economic growth, alleviation of poverty and overall macro-economic stability. They must be developed on a country per country basis, in order to take account of national circumstances and resources. Leaders also noted with interest the gradual development of a global Social Protection Floor, one of the nine joint initiatives of the UN Chief Executives Board for Coordination, led by the International Labor Organization (ILO) and the World Health Organization (WHO). Such a concept would seek to ensure livelihood security for poor and vulnerable populations and provide access to essential services, fighting persistent poverty effectively. Leaders called for further



sharing of experiences and for technical assistance in implementing social welfare policies.

28. Leaders stressed that the inclusiveness of labor markets crucially depends on education, job training and skill development strategies, including vocational training. Partnerships with the private sector may, where applicable, facilitate the preparation of the workforce for future opportunities in strategic sectors such as low-carbon emission industries and green technologies, but also in growth sectors such as health care and elderly care. As labor markets evolve over time, lifelong learning and career development tools, through investments in education and training which government policies should encourage, will help workers move into new opportunities.

29. Leaders further emphasized that access to basic education should be guaranteed for its benefit to the development of the individual and in fighting poverty. In this regard, they recognized the important challenge faced by some Asian ASEM partners with overwhelmingly young populations. They agreed to enhance efforts for the effective abolition of child labor, to share experiences and to provide, where possible, technical assistance with a view to supporting and strengthening education services which prepare for the labor market.

30. Leaders recognized that a number of ASEM partners face the challenge of rapidly ageing populations. Existing old-age protection systems face reforms that, depending on circumstances, may concern retirement age, fiscal policies, labor markets or pension/provident fund governance in order to preserve social and financial sustainability. Again, social dialogue is of crucial importance in order to define reforms that can be widely accepted.

31. Leaders instructed their Ministers of Labor, meeting in Leiden, the Netherlands, in December 2010, to further develop common strategies on these issues and to implement them, fostering cooperation among governments, dialogue between social partners and involvement of civil society organizations.

#### *Environmental protection*

32. Leaders underlined the necessity to address global climate change and recognized in this regard the centrality and legitimacy of the UNFCCC process. They shared the goal of reaching urgently a fair, effective and comprehensive, legally binding outcome under the mandate of the Bali Roadmap agreed in 2007, noting that the first commitment period of the Kyoto Protocol ends in 2012. They agreed that the UNFCCC and Kyoto Protocol Conferences of Parties in Cancun, taking into account the work done so far, should concretely address the remaining gaps on all major issues.

33. Leaders agreed that deep cuts in global emissions are required, recognizing the scientific view that the increase in global temperature should be below two degrees Celsius, and to take action to meet this objective consistent with science and the principles of the UNFCCC. They also reaffirmed the basic principle that countries should contribute to the collective effort on the basis of common but differentiated responsibilities and respective capabilities, bearing in mind that social and economic development and poverty eradication are the first and overriding priorities of developing countries and that a low-emission development strategy is indispensable for sustainable development.

34. Leaders welcomed the commitments of the EU partners, Japan, Australia and New Zealand to provide fast-start financing with new and additional resources over the 2010-2012 period and to transparent reporting at the UNFCCC Conference in Cancun. They called on developed countries to follow up, in the context of meaningful mitigation actions and of transparency in implementation of these actions, on their commitment to the goal of mobilizing jointly 100 billion US dollars per year by 2020 in order to address the needs of developing countries.

35. Leaders stressed that energy efficiency and increased use of renewable energy across all sectors of the economy are major contributions to addressing climate change while at the same time fostering security in energy supplies. They called for making full use of international cooperation, in accordance with the relevant provisions of the UNFCCC, to exchange best practices between developed and developing ASEM partners and stimulate the development, transfer, deployment, dissemination and adaptation of advanced, affordable, safe and environmentally sound energy technologies and know how, including aspects of policy and regulation.

36. Leaders stressed the challenge of ensuring sufficient, reliable and environmentally responsible supplies of energy at prices reflecting economic fundamentals as highlighted by the ASEM Ministerial Conference on Energy Security in Brussels in June 2009. They underlined the benefits that can be derived in this respect from transparent, competitive and environmentally sustainable markets, from consistent legal frameworks at national and international levels and from diversification of sources, routes and types of energy supplies as well as from emergency mechanisms. The global nature of these challenges and the growing interdependence between producing, consuming and transit countries would require strengthened dialogue and partnership involving ASEM partners and other stakeholders.

37. Leaders stressed the importance of sustainable forest and water resources management and the need to cooperate by exchanging scientific research and by pooling experiences and best practices. They requested their Ministers to conduct a concrete and result-oriented dia-

logue on these issues in the early part of 2011. They recalled that the UN General Assembly proclaimed 2011 as the International Year of Forests. Leaders expressed their support for the UN Collaborative Initiative on Reducing Emissions from Deforestation and Forest Degradation (REDD+) in developing countries. They noted the contribution of the Forest Law Enforcement Governance and Trade Action Plan (FLEGT) of the European Union and of parallel Asian initiatives, in cooperation with partners, in addressing illegal logging and introducing transparency in forestry operations. They noted China's initiative to establish an ASEM Water Resources Research and Development Center in Hunan Province.

38. Leaders welcomed the outcome of the UN High-Level Plenary Meeting, held in New York on 22 September 2010, as a contribution to the International Year of Biodiversity. They urged the 10th meeting of the Conference of the Parties to the Convention on Biological Diversity, to be held in Nagoya on 18-29 October 2010, to reach agreement on an international regime on access to and sharing of benefits of genetic resources, achieving the third and essential objective of the Convention. Expressing concern that the target of achieving by 2010 a significant reduction of the current rate of biodiversity loss had not been met, they stressed the urgency of adopting a new target to guide the action of the international community in slowing, halting and ultimately reversing the current rate of biodiversity loss.

39. Leaders emphasized that the participation of the private sector and the involvement of civil society in the design and implementation of environmental protection measures substantially contribute to changing people's attitudes and bringing about sustainable production and consumption patterns. They expressed their determination to encourage these as established features of their policies.

40. Leaders recognized the importance of promoting sustainable forms of production and consumption, among others through the promotion of a green, low-carbon economy. It is needed because of the limitations in available natural resources. It offers opportunities for it brings about new markets, new investments and creates new employment. Yet, it also raises challenges as to the fair distribution of its costs and benefits. Leaders noted the rising interest among ASEM partners for developing carbon markets and, hence, supported the objective of scaling up finance and investment through the development of the international carbon market. Leaders committed to intensify ASEM cooperation in raising awareness, in exchanging information and best practices, in training experts in resource efficiency and in making technologies and know how more widely available. In this context, Leaders noted the establishment of the Global Green Growth Institute in Seoul, Korea, in June 2010, to support green growth in developing countries.

### *Future Asia-Europe sustainable development cooperation*

41. Leaders reaffirmed that the internationally agreed development goals, including the Millennium Development Goals (MDGs), guide their cooperation on sustainable development. They recognized that, despite ongoing efforts, progress towards timely implementation is hampered, partly because of the economic and financial crisis. They stressed the continued importance of narrowing the development gap between developed and developing countries and therefore the need for urgent remedial action.

42. Leaders emphasized the need for more result-oriented initiatives to strengthen the comprehensive, equal and mutually beneficial Asia-Europe strategic partnership for sustainable development, a partnership that goes beyond aid. They tasked Senior Officials with the establishment of partnership programs with clear objectives, spurring peer learning and stimulating networking among governments, administrations, scientific and academic institutions, expert bodies and private companies. They supported the use of triangular forms of cooperation that combine resources and expertise from donor and recipient countries in the interest of efficient projects. They further supported taking recourse to creative financing modalities, including the blending of grants and loans, where it is possible, appropriate and achieves greater leverage, due account being taken of debt sustainability.

43. Leaders emphasized that in view of the different socio-economic situations of ASEM partners, cooperation should be tailored to the respective needs and capabilities and should be based on the policies and strategies defined by the countries concerned and under their responsibility. In this context, Leaders also welcomed the reaffirmation of the commitments in regard of development, in particular those under the Monterey Consensus and under the Doha Declaration on Financing for Development. They stressed that the adequacy, effectiveness and efficiency of development assistance must be pursued by applying the principles of the Paris Declaration and the Accra Agenda for Action.

## **Global Issues In Focus**

### *Piracy at sea*

44. In the face of persistent piracy attacks, in particular off the coast of Somalia, Leaders asserted their determination to ensure the continued freedom and security of the seas, vital to the trade between Asia and Europe. Leaders underscored that the UN should continue to play an important role in international efforts against piracy and guarantee that the sovereignty of states and international law are respected.

45. Leaders called for universal ratification of the UN Convention on the Law of the Sea (UNCLOS) and of other relevant conventions. They stressed the importance of implementing the UN Security Council resolutions calling on states to criminalize piracy and armed robbery at sea in their national legislation. Leaders stressed the importance of effectively prosecuting suspected pirates and, to this effect, of ensuring that evidence on pirates' attacks and on their identity be collected. In this context, they welcomed the Report of the UN Secretary General on possible options to further the aim of prosecuting and imprisoning persons responsible for acts of piracy and armed robbery at sea off the coast of Somalia. They urged members to cooperate with the Special Advisor to the UN Secretary General on Legal Issues in order to achieve agreement on the options to be pursued further. In this regard, Leaders further called for increasing the sharing of intelligence among ASEM partners with a view to tracking down and interdicting the financial means which fund piracy operations.

46. Leaders discussed specifically the security of seafarers and the future of their profession. The preservation of lives, bringing persons on board of vessels to safety or ensuring their rapid release, should at all times be the overriding concern. Unilateral measures from third countries which hamper such efforts are not acceptable. Leaders stressed the added value of exchanges of best practices on anti-piracy training of crews and on ways to support the victims of piracy acts and their families. They also supported efforts to facilitate the presence of seafarers at the trial of pirates.

47. Leaders commended the work done by the shipping industry in conjunction with the International Maritime Organization (IMO) in developing Best Management Practices for ship owners and ship operators. They stressed the importance for vessels travelling through danger zones to report through agreed mechanisms. They noted that where these recommendations were followed, cases of successful attacks were reduced.

48. Leaders further believed that regional initiatives such as the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP), the Djibouti Code of Conduct concerning the Repression of Piracy and Armed Robbery against Ships in the Western Indian Ocean and the Gulf of Aden with the IMO Djibouti Code Trust Fund, and the Malacca and Singapore Straits patrols are effective and deserve further support.

49. Leaders welcomed the strong cooperation within the Contact Group on Piracy off the Coast of Somalia (CGPCS) and through the CGPCS Trust Fund. They also commended the ongoing naval and air counter-piracy operations off the coast of Somalia as important short-term responses to deter and repress acts of piracy and as outstanding

examples of Europe and Asia working together on an issue of common interest. They stressed the need to continue to provide adequate military resources. Leaders were however of the view that a long-term approach is also required and should consist of multifaceted actions, including local and regional capacity building. Major resolve must further be shown in addressing the root causes of piracy off the coast of Somalia, in particular by restoring political stability in Somalia.

*Fighting terrorism and combating transnational organized crime*

50. Leaders reasserted the UN's leading role in the fight against terrorism and reaffirmed their commitment to take strong measures in the fight against terrorism in line with the UN Charter, the UN Global Counter-Terrorism Strategy and the relevant UN Security Council Resolutions. They underlined the need to adhere to the UN conventions and protocols dealing with terrorism and to observe obligations under international law, including international human rights law, refugee law and humanitarian law. They requested specific attention for the victims of acts of terrorism. They urged all UN Member states to move towards the adoption of the Comprehensive Convention on International Terrorism. Leaders decided that ASEM should continue to disseminate best practices in support of the implementation of the UN Global Counter-Terrorism Strategy through annual ASEM Conferences.

51. Leaders underscored their deep concerns over the negative effects that transnational organized crime and corruption carry for trade, development, intellectual property rights, peace, security and respect for human rights. They expressed their determination to combat the threat to international peace and security coming from illicit drug trafficking. They expressed particular resolve in combating people smuggling and trafficking in persons. They acknowledged the importance of consistent regional approaches in deterring irregular migration. This year marks the tenth anniversary of the adoption of the United Nations Convention against Transnational Organized Crime and its Protocols. Leaders pledged to strengthen their cooperation in the implementation of these commitments as well as of the United Nations Convention against Corruption.

*Disaster prevention and disaster relief*

52. Leaders underscored the humanitarian principles of disaster relief – humanity, impartiality, neutrality and independence – and considered these principles to be the foundation for humanitarian action. They also considered the challenge of financing disaster relief.

53. Leaders referred to the succession of natural disasters, including those at sea, over the last years and their tragic consequences, hampering the attainment of internationally agreed development goals in the affected developing countries. Leaders stressed the importance of disaster risk reduction through decreased exposure to risk, reduced vulnerability of humans and their property, sound environmental management, local capacity building and improved readiness in case of disasters in line with the Hyogo Framework for Action 2005-2015 and other relevant UN Resolutions. Leaders called for accelerated implementation of the measures defined therein. They also called for intensified cooperation within ASEM, in particular on risk assessment, risk reduction strategies with particular attention to gender-inclusive approaches, early warning mechanisms, management capacities, search and rescue capacities, infrastructure development associated with relief and post-disaster recovery, and other response activities. They welcomed capacity-building activities conducted so far and encouraged their continuation, especially in high-risk countries. They supported strengthened cooperation between the ASEAN Secretariat and the European Commission's Directorate-General on Humanitarian Aid & Civil Protection (ECHO).

#### *Human security*

54. Leaders stressed the need to continue to discuss issues relating to human security at the UN General Assembly and in appropriate fora in accordance with the 2005 World Summit Outcome and the relevant UN General Assembly Resolution.

#### *Human rights and democracy*

55. Leaders reaffirmed the commitments to human rights in accordance with the UN Charter and international law and their adherence to democratic governance. They expressed their satisfaction with the dialogue carried out by partners through the informal ASEM Seminars on Human Rights held annually since 1998. They underlined their commitment to increase cooperation on issues related to the promotion and protection of human rights, on the basis of universality, equality and mutual respect. They encouraged cooperation with civil society given its important role in promoting human rights and in maintaining a functioning democratic society. They expressed their wish to extend cooperation in fora such as the Human Rights Council and the UN General Assembly Third Committee.

56. Leaders welcomed the establishment of the ASEAN Intergovernmental Commission on Human Rights (AICHR), which provides the

overarching framework for human rights cooperation and for the promotion and protection of human rights in the ASEAN region. They agreed to strengthen mutual cooperation in promoting and protecting human rights in line with AICHR's purpose, and tasked their Senior Officials to pursue this in the near future.

#### *Dialogue of cultures and civilizations*

57. Leaders stressed the importance of encouraging dialogue among cultures and civilizations and recalled the importance of interfaith and intercultural dialogues to the maintenance of international peace and security. Ongoing ASEM initiatives constitute significant contributions to the enrichment of Asian and European cultures and faiths and to the deepening of Asia-Europe relations. Leaders expressed their support for the UN Alliance of Civilizations initiative and welcomed the results of the III Forum held last May in Rio de Janeiro, including the announcement of new National Plans for Intercultural Dialogue, new Partnership Agreements and Regional Strategies by governments and international organizations and the implementation of concrete multi-stakeholders projects in the fields of education, youth, migration and media.

#### *Reform of the UN system*

58. Leaders shared the view that a comprehensive reform of the United Nations remains a priority in order for the organization to effectively address today's global challenges and ensure effective support for its members, particularly in addressing the needs of developing countries. Leaders called upon all members to work in partnership in order to achieve a more representative, more efficient and more effective UN Security Council. They called further for a revitalized General Assembly, a strengthened ECOSOC, a well-managed Secretariat and effective, streamlined specialized agencies in the interest of system-wide coherence and increased sense of ownership on the part of the world community.

#### *Nuclear non-proliferation and disarmament*

59. Leaders agreed that the proliferation of weapons of mass destruction, and their means of delivery, constitutes a threat to international peace and security and is a common concern of the ASEM community and of the world at large. They reaffirmed their commitment to the long-term objective of a world free of nuclear weapons and of other weapons of mass destruction. They also recognized the importance of



advancing the mutually reinforcing objectives of nuclear disarmament and nuclear non-proliferation.

60. Leaders agreed on the importance of international cooperation and national measures in addressing nuclear proliferation concerns. The Nuclear Non-Proliferation Treaty is the cornerstone of international efforts on nuclear disarmament and non-proliferation and also serves to uphold the rights of states to peaceful uses of nuclear energy. Leaders urged all States Parties to the Treaty to implement the Action Plan adopted at the 2010 Review Conference of the Nuclear Non-Proliferation Treaty.

61. Leaders recognized the important role of the IAEA and its safeguards system in upholding the international nuclear non-proliferation regime and in defining peaceful uses of nuclear energy, and called for full cooperation on all matters within its mandate. Leaders in particular supported early adoption of the Additional Protocol to the Comprehensive Safeguard Agreement.

62. Leaders recognized the importance of continuing the work under the auspices of the IAEA on the development of multilateral approaches to the nuclear fuel cycle, including the possibility of assurances of fuel supply and schemes addressing the back-end of the fuel cycle.

63. Leaders welcomed the efforts launched at the 2010 Nuclear Security Summit to counter effectively the threat of nuclear terrorism including by securing all vulnerable nuclear material within the next four years. They encouraged the continuation of efforts, which will be reviewed at the next Summit scheduled in 2012 in Seoul. Leaders simultaneously called for universal ratification of the Convention for the Suppression of Acts of Nuclear Terrorism and of the amended 1980 Convention on the Physical Protection of Nuclear Material.

64. Leaders also welcomed the recent conclusion of the New START Treaty between the Russian Federation and the United States as it contains provisions for substantial and verifiable reductions of strategic offensive nuclear weapons and called for its early entry into force. Leaders reaffirmed their strong support for the early entry into force of the Comprehensive Nuclear-Test-Ban Treaty (CTBT), warmly welcoming the renewed political momentum towards CTBT ratification within some remaining Annex 2 states.

## **Regional Issues**

65. Leaders agreed that regional cooperative mechanisms are a force for peace, stability, prosperity, social development and cohesion. They stressed the importance of effective regional architectures of security

and cooperation in Asia and Europe based on mutual respect, on consideration for the legitimate interests of all states and on partnership among various regional organizations and fora. The entry into force of the Lisbon Treaty marked a major step forward in European integration and will strengthen the European Union as a reliable and efficient partner in developing relations and cooperation with others, including partners in Asia. Leaders likewise welcomed the entry into force of the ASEAN Charter in December 2008 and the recent steps taken to accelerate ASEAN integration as milestones in the establishment of a resilient, dynamic and sustained ASEAN Community by 2015 and of deepened relations with its partners. They also welcomed the many substantial developments and initiatives purporting inclusive regional dialogue and cooperation in different parts of Asia. These developments serve both regions well.

66. Leaders recognized the centrality of ASEAN in regional cooperation in Asia. They also recognized that such regional cooperation is mutually beneficial and reinforcing. They supported the widening of its role, stressing the desirability of enhanced contacts and cooperation through the existing dialogue partnerships between ASEAN and its partners. They encouraged additional efforts to share experiences and lessons learned.

67. Leaders welcomed the support for the cooperation processes taking place in each other's region and also, in this spirit, the European Union's confirmed commitment to accede to the Treaty of Amity and Cooperation in South-East Asia (TAC). To this effect, they agreed to work for early entry into force of the Third Protocol amending the TAC.

68. Leaders underlined the importance of finding an early negotiated solution to Iran's nuclear program. They expressed their determination in pursuing the objective of reaching a comprehensive negotiated solution to restore international confidence in the exclusively peaceful nature of Iran's nuclear program, while respecting Iran's legitimate rights to the peaceful use of nuclear energy. They reaffirmed their commitment to fully implement UN Security Council Resolution 1929. They confirmed the need for Iran to comply fully with the UN Security Council and IAEA Board of Governors requirements. They called for an early resumption of the dialogue between Iran and China, France, Germany, Russia, the United Kingdom and the United States and encouraged Iran's positive and constructive participation in this dialogue.

69. Leaders commended Afghanistan on the holding of elections notwithstanding the challenging security environment. These were the second parliamentary elections since 2001 and the first ones to be organized by the Afghans themselves. They constituted an important and visible sign of Afghan sovereignty and underlined the will of the

Afghan people to shape the future of their country. In this context, Leaders reiterated the importance of continued international support for the Afghan government's efforts to achieve peace and stability for its people and to strengthen the governance of the country, including the electoral process, in the context set out at the Kabul Conference in July 2010. Leaders emphasized the importance of the objective set at the Kabul conference in regard of transition, reconciliation and reintegration and that Afghan ownership is key to long-term stability and peace. Leaders emphasized that the international community should pursue its assistance to Afghanistan and continue to provide technical cooperation in areas such as governance and rule of law, healthcare, agriculture, education and poverty reduction. Assistance should also be continued for the suppression and control of narcotics by the implementation of a comprehensive anti-narcotics strategy, including exploring ways to eradicate poppy fields, cutting precursor deliveries and promoting alternative sustainable livelihood development. Leaders reaffirmed their commitment to prevent Afghanistan from again becoming a base for international terrorist activity, and welcomed efforts by the Afghan Government to strengthen the capacity of the Afghan security forces to help meet this challenge.

70. Leaders were encouraged by the launch of direct talks between Israel and the Palestinian Authority in Washington on 2 September 2010 and by their continuation since. They commended U.S. President Barack Obama and his administration, the Quartet, the Arab partners and other international partners for their support and contribution to this process. They supported a solution negotiated on the basis of the principle of "land for peace", consistent with the relevant UN resolutions, the Middle East Roadmap for Peace, and the Arab Peace Initiative. They reiterated the ultimate goal of establishing an independent, sovereign, democratic, contiguous and viable Palestinian State, living side by side in peace and security with Israel, both in a peaceful and stable region. Leaders regretted the Israeli decision not to extend the moratorium on settlements and called on both parties to act responsibly and choose the path of peace. They recalled that settlements are illegal under international law and inconsistent with Israel's obligation under the Roadmap for Middle East Peace. The parties must now engage with determination to overcome the obstacles and to find a satisfactory way for the negotiations to continue and gather momentum. The parties must also keep working intensively on final status issues consistent with the Quartet's call for a negotiated settlement within an agreed timeframe. Meanwhile, it is also very important that all relevant parties avoid provocative actions and violence which could undermine the success of the talks. Leaders welcomed the readiness of a number

of partners to contribute substantially to post-conflict arrangements aimed at fostering enduring peace.

71. Leaders considered that the current situation in Gaza is unsustainable. They called for a solution that ensures the unimpeded flow of humanitarian aid, commercial goods and persons to and from Gaza, and addresses Israelis' and Palestinians' legitimate security concerns, consistent with United Nations Security Council resolution 1860 (2009). The recent measures announced by the Israeli government are important steps. Yet full implementation and complementary measures are needed in order to achieve a fundamental change of policy that would allow for the reconstruction and economic recovery of Gaza.

72. Leaders stressed the importance of promoting, in parallel, the settlement of the issues between Syria and Israel and between Lebanon and Israel, through dialogue and negotiation, to promote the Middle East Peace Process comprehensively.

73. Leaders exchanged views on recent developments in Myanmar. They took note of the announcement of national elections on 7 November 2010. They encouraged the government of Myanmar to take the necessary measures to ensure that these elections would be free, fair and inclusive, and would mark a step towards a legitimate, constitutional, civilian system of government. The timely release of those under detention would contribute to these elections being more inclusive, participatory and transparent. They supported the continuation of the Good Offices Mission of the UN Secretary General and called upon Myanmar to engage and cooperate more closely with the UN and the international community. They stressed the need for the government of Myanmar to engage in dialogue with all parties concerned in an inclusive national reconciliation process. They also touched upon the issue of Daw Aung San Suu Kyi. They stated their readiness to remain constructively engaged in achieving the aims of national reconciliation and of improving the economic and social conditions of the people of Myanmar. They reiterated their commitment to the sovereignty and territorial integrity of Myanmar and their view that the future of Myanmar lies in the hands of its people.

74. Leaders exchanged views on the situation in the Korean Peninsula and stressed the importance of maintaining peace and stability on the Korean Peninsula and in the region. Leaders reiterated their condolences to the Government of the Republic of Korea (ROK) for the loss of lives suffered in the sinking of the Republic of Korea's naval ship Cheonan. They expressed their deep concern and reaffirmed their support for the 9 July 2010 UN Security Council Presidential Statement. They stressed the importance of preventing further such attacks. Leaders acknowledged the efforts to provide humanitarian aid to the Democratic People's Republic of Korea (DPRK). They took note of the

recent steps undertaken in inter-Korean relations, including the discussion of family reunions, and encouraged the resumption of such family reunions on a regular basis. They expressed their hope that such steps will lead to genuine dialogue and cooperation between the ROK and the DPRK. Leaders urged all parties to fulfill their commitments under the Joint Statement of 19 September 2005 and under relevant UN Security Council resolutions, which provide the framework for the DPRK to abandon all nuclear weapons and existing nuclear programs in a complete, verifiable and irreversible manner. They reaffirmed support for the diplomatic efforts made within the Six-Party Talks aiming at achieving a comprehensive resolution of the issue. They called for joint efforts to create circumstances to resume the Six-Party Talks. They emphasized the importance of the full implementation of all relevant UN Security Council resolutions. They also emphasized the importance of addressing the humanitarian concerns of the international community.

### **People-to-People, Visibility & Future of ASEM**

75. Leaders encouraged further progress in the overarching goal of stimulating further people-to-people contacts and interaction between businesses, merchants, academics, students, opinion makers, media representatives, culture professionals, civil society representatives and local and regional leaders. The multiplication of interactions as well as the promotion of tourism raises the inter-connectivity between Europe and Asia.

76. Leaders reaffirmed that the parallel dialogues conducted within the Parliamentary partnership, the People's Forum and the Business Forum play a valuable role in reaching ASEM's objectives. A number of Leaders addressed these parallel dialogues. Leaders took note of their recommendations and resolutions. They expressed their appreciation for the work achieved and tasked Senior Officials to take it into consideration and, where relevant, make suggestions for appropriate action.

77. Leaders welcomed the expansion of academic cooperation following the Second ASEM Meeting of Education Ministers in Hanoi in May 2009. They applauded the holding of Bologna Policy fora which stimulate dialogue on mobility, quality assurance, credit recognition and credit transfer, building on the success of programs such as the Erasmus Mundus and the ASEM-DUO fellowship programs. They strongly supported the establishment of the ASEM Education Secretariat in Bonn, Germany, which will coordinate ASEM educational activities. Leaders thanked Denmark for offering to host the Third ASEM Education Ministerial Meeting in 2011.

78. Leaders emphasized that joint science and technology initiatives play a central role in achieving scientific, technological and social advances in the face of common challenges, in particular the one of advancing sustainable development.

79. Leaders recognized the important role played by the Trans-Eurasian Information Network (TEIN) project in increasing direct internet connectivity among research and education in Asia and between Asia and Europe. They welcomed the planned launch of its 4<sup>th</sup> phase and the establishment of a Cooperation Center hosted by the Republic of Korea with financial contributions from participating ASEM partners.

80. Leaders welcomed the outcome of the Fourth ASEM Culture Ministers' Meeting in Poznan last September. They stressed that raising awareness about cultural heritage and about treasures of the past constituted a key step towards overcoming ignorance and prejudice and towards promoting mutual understanding and cooperation. Hence, they encouraged intensification of work in these areas, involving government and civil society at all levels. Leaders thanked Indonesia for offering to host the Fifth ASEM Culture Ministers' Meeting in 2012.

81. Leaders hailed the exhibition titled "A Passage to Asia" which Belgium and the Asian ASEM partners produced as a cultural backdrop to their meeting. The exhibit illustrates how during twenty-five centuries, commercial and political networks carried back and forth human science and philosophy between Asia and Europe. It provides a rich historical background to the present day dialogue and people-to-people contacts.

82. Leaders expressed their appreciation for the important work performed by the Asia-Europe Foundation (ASEF), ASEM's only established institution, which acts as a networking node of activities for promoting mutual understanding between Asia and Europe. Leaders recognized the value of ASEF's flagship programs in furthering the priorities and enhancing the visibility of ASEM. They called on ASEM members to ensure, through the regularity of their contributions, that the long-term financial sustainability of its programs would be assured. They invited the new ASEM members to also make their contributions and encouraged their active participation in ASEF activities.

83. Leaders noted with satisfaction the significant increase in ASEM's internal and external visibility. They commended Belgium for using ASEM's logo as a basis for the ASEM 8 logo and invited future Summit hosts to adopt the same approach. They recognized that as a member-driven gathering, ASEM crucially depends for its visibility on the initiatives, actions and communication policies of the partners themselves. The Leaders therefore called on all ASEM partners to increase their efforts and promote public awareness of ASEM through visibility

work plans and policies, choice channels of communication and focused cultural activities.

84. While reaffirming the continued validity of the existing cooperation framework, Leaders agreed on the desirability of improving the working methods of an enlarged ASEM. They endorsed the Senior Officials' recommendation that the host of an upcoming ASEM summit should henceforth be part of the coordination mechanism "from summit to summit". They further tasked Senior Officials to come up with relevant and practical proposals with a view to providing the kind of light, cost-effective technical support that would enhance the efficiency, coherence, continuity and visibility of the work of ASEM. They also asked Senior Officials to seek improvements in the various existing mechanisms of cooperation among ASEM partners. In this regard, they instructed Senior Officials to submit recommendations to the ASEM Foreign Ministers for consideration at their forthcoming meeting in 2011.

## Closing

85. Leaders approved the List of new initiatives figuring in Annex I and the ASEM Work Program for 2010-2012 figuring in Annex II.

86. Leaders thanked the Host Country for the successful arrangements for their Eighth Meeting and accepted with gratitude the offer of the Laos People's Democratic Republic to host the Ninth Asia-Europe Meeting and looked forward to meeting again in Vientiane in October 2012.

*Annex I* List of new initiatives

*Annex II* ASEM Work Program for 2010-2012

*Annex 1***List of New Initiatives Submitted to ASEM 8***Austria*

United Nations / ASEM UN-Spider Expert Meeting: The Contribution of Space-based Solutions to Sustainable Communities

*Belgium*

9<sup>th</sup> ASEM Conference of Directors General of Immigration

*PR China*

2<sup>nd</sup> Transportation Ministers' Meeting & Transport Development Forum

ASEM Symposium on Sustainable Forest Management to Address Climate Change

Establishment of an ASEM Water Resources Research and Development Center

ASEM Symposium on Technical and Vocational Education

*Czech Republic*

11<sup>th</sup> Informal ASEM Seminar on Human Rights

*Indonesia*

5<sup>th</sup> ASEM Culture Ministers' Meeting

*Republic of Korea*

12<sup>th</sup> Informal ASEM Seminar on Human Rights

Trans Eurasian Information Network Cooperation Center TEIN\*

Extension of the ASEM DUO Fellowship Program (Third Phase)

ASEM SMEs Eco Innovation Center (ASEIC)

*Malaysia*

Asia-Europe Seminar on Conservation of Timber and Lime Buildings

*Philippines*

ASEM Seminar on Harmonization of Biofuels Standards and Application to Vehicle Technologies

*Thailand*

ASEM Food Security Conference



*Vietnam*

ASEM Forum on Social Safety Nets for All ASEM Green Growth  
Forum

*Annex 2***ASEM Work Program for 2010-2012**

2010

<i>PROGRAM</i>	<i>VENUE</i>	<i>DATE</i>
ASEM Senior Officials' Meeting (SOM)	Madrid, Spain	25 January
Brussels Briefing "Europe-Asia: Working for More Effec. Global Gov."	Brussels, Belgium	24 March
2 <sup>nd</sup> ASEM Social Partners' Forum	Brussels, Belgium	29 March
High-Level Forum on Employment & Social Issues	Brussels, Belgium	29-31 March
Seminar: Asia - Europe Learning Mutually; Asia Europe Cooperation in the 21 <sup>st</sup> Century – Towards the Success of ASEM 8	Tokyo, Japan	30 March
6 <sup>th</sup> ASEM Interfaith Dialogue	Madrid & Toledo, Spain	07-09 April
2 <sup>nd</sup> Preparatory Meeting for the 4 <sup>th</sup> ASEM Culture Ministers' Meeting	Solo, Indonesia	15-17 April
Finance Deputies' Meeting	Madrid, Spain	17 April
ASEM Outlook Workshop	Brussels, Belgium	15-16 April
9 <sup>th</sup> ASEM Finance Ministers' Meeting	Madrid, Spain	17-18 April
Overcoming the Financial Crisis - Shaping Sustainable Development in the New Context	Nha Trang, Vietnam	26-27 April
Workshop on Coordinating Cultural Activities for the Enhancement of ASEM Visibility	Ha Long City, Vietnam	28-29 April
ASEM Seminar on Piracy at Sea	Brussels, Belgium	04-05 May
ASEM Conference on Forests, Forest Governance and Forest Products' Trade: Scenarios and Challenges for Europe and Asia	Phnom Penh, Cambodia	04-05 May
ASEM Customs Trade Day	Hanoi, Vietnam	05 May
ASEM Senior Officials' Meeting (SOM)	Phnom Penh, Cambodia	05-06 May
4 <sup>th</sup> Meeting of the ASEM Working Group on Customs Matters (AWC)	Hanoi, Vietnam	06-07 May
ASEM Forum 2010 on Green Growth & SMEs	Seoul, Korea	06-08 May
Seminar on the Enforcement of Intellectual Property Rights	Prague, Czech Republic	19 May
2 <sup>nd</sup> ASEM Development Conference	Yogyakarta, Indonesia	26-27 May
8 <sup>th</sup> ASEM Conference on Counter-Terrorism	Brussels, Belgium	10-11 June
Employment High-Level Forum	ILO - Geneva	14 June
Brussels Briefing on Sustainable Development	Brussels, Belgium	16 June
Preparatory Event on Sustainable Development	Brussels, Belgium	23-24 June
Preparatory Event on Piracy at Sea	Brussels, Belgium	24-25 June
ASEM Forum on Sustainable Food Security	Ho Chi Minh City, VN	05-07 July
10 <sup>th</sup> Informal Seminar on Human Rights "Gender Equality"	Manila, Philippines	07-09 July

Public Conference on EU Asia Inter-Regional Relations	Brussels, Belgium	12-13 July
ASEM Senior Officials' Meeting ( SOM )	Brussels, Belgium	13-15 July
ASEM Coordinators' Meeting	Seoul, Korea	06-07 September
1 <sup>st</sup> ASEM Climate Change Forum	Ha Long City, Vietnam	06-07 September
4 <sup>th</sup> ASEM Culture Ministers' Meeting	Poznan, Poland	09-10 September
Brussels Briefing "Curtain Raiser on ASEM 8"	Brussels, Belgium	16-17 September
Asia - Europe Parliamentary Meeting (ASEP)	Brussels, Belgium	26-28 September
Workshop Social Protection Floor & Informal Economy	Nice, France	27-28 September
Expert-Level Conference on Eurasian Land Bridge	Islamabad, Pakistan	2010 / 2011
ASEM People's Forum - Trade Unions' Day	Brussels, Belgium	01 October
Asia - Europe People's Forum (AEPF)	Brussels, Belgium	02-05 October
ASEM Coordinators' Meeting	Brussels, Belgium	02 October
ASEF Connecting Civil Societies of Asia and Europe	Brussels, Belgium	02-03 October
ASEF Editors' Roundtable	Brussels, Belgium	03 October
ASEM Senior Officials' Meeting (SOM)	Brussels, Belgium	03 October
Asia - Europe Business Forum (AEBF)	Brussels, Belgium	04 October
ASEM 8 SUMMIT	Brussels, Belgium	04-05 October
Professionalization of Adult Teachers & Educators in ASEM Countries	Hanoi, Vietnam	11-12 October
2 <sup>nd</sup> ASEM Rectors' Conference	Seoul, Korea	25-28 October
1 <sup>st</sup> ASEM Meeting for Governors and Mayors	Jakarta, Indonesia	27-29 October
9 <sup>th</sup> ASEM Conference of Directors-General of Immigration on Management of Migratory Flows between Asia and Europe	Terhulpen, Belgium	21-23 November
2 <sup>nd</sup> ASEM ICT Senior Officials' Meeting	Brussels, Belgium	November-December
3 <sup>rd</sup> ASEM Labor Ministers' Meeting	Leiden, The Netherlands	12-14 December
ASEM Conference on Quality Assurance in Education "Quality Assurance and Recognition: Challenges and Prospects"	Cyprus	December
Conference on Investment and its Financing	India	December
1 <sup>st</sup> Preparatory Meeting for the 2 <sup>nd</sup> Transport Ministers' Meeting	PR China	End 2010

## 2011

<i>PROGRAM</i>	<i>VENUE</i>	<i>DATE</i>
ASEM Technical and Vocational Education Symposium	Qingdao, PR China	11-12 January
ASEM Education Senior Officials' Meeting	Copenhagen, Denmark	24-25 January
ASEM Food Security Conference	Bangkok, Thailand	February
ASEM Seminar on Conservation of Timber and Lime Buildings	Kuala Lumpur, Malaysia	05-08 March
3 <sup>rd</sup> ASEM Education Ministers' Meeting	Denmark	09-10 May

United Nations / ASEM UN-Spider Expert Meeting: The Contribution of Space-based Solutions to Sustainable Communities - Austria	Singapore	May
ASEM Symposium on Sustainable Forest Management to Address Climate Change	Lin'an, PR China	15-17 June
1 <sup>st</sup> Preparatory Senior Officials' Meeting for the 5 <sup>th</sup> Culture Ministers' Meeting	Indonesia	Mid 2011
2 <sup>nd</sup> Transport Ministers' Meeting and Transport Development Forum	PR China	October
10 <sup>th</sup> ASEM Foreign Ministers' Meeting	Hungary	Spring 2011
11 <sup>th</sup> Informal Seminar on Human Rights	Prague, Czech Republic	Autumn 2011
9 <sup>th</sup> ASEM Customs Directors-General/Commissioners' Meeting	Thailand	Autumn 2011
ASEM Seminar on the Harmonization of Biofuels Standards and Application to Vehicle Technologies	Manila, Philippines	3 <sup>rd</sup> Quarter 2011
Seminar on Quality Enhancement in Higher Education	Brussels, Belgium	2011
ASEM Water Resources Research Centre	PR China	2011
ASEM SMEs Eco Innovation Centre	Korea	2011
TEIN* Cooperation Centre	Korea	2011
ASEM Forum on Social Safety Nets for All	Vietnam	2011
ASEM Green Growth Forum	Vietnam	2011

## 2012

<i>PROGRAM</i>	<i>VENUE</i>	<i>DATE</i>
Asia - Europe Parliamentary Meeting (ASEP)	Laos	October
Asia - Europe People's Forum (AEPF)	Laos	October
Asia - Europe Business Forum (AEBF)	Laos	October
ASEM 9 SUMMIT	Laos	October
5 <sup>th</sup> ASEM Culture Ministers' Meeting	Indonesia	2012
12 <sup>th</sup> Informal Seminar Human Rights	Korea	2012

## Annex 2

### **Brussels Declaration on More Effective Global Economic Governance**

#### *Towards more effective global economic governance*

We, the Heads of State and of Government of Asia and Europe, the President of the European Commission and the Secretary General of ASEAN, meeting in Brussels on 4-5 October 2010 under the Chairmanship of the President of the European Council, Herman Van Rompuy, having discussed the current economic and financial situation, declare as follows:

1. We recognize that the economic crisis has exposed the weaknesses in the global economic and financial system and has highlighted the interdependence among the world's economies. Following up on the Statement of the Seventh Asia-Europe Meeting on the International Financial Situation and the Ninth ASEM Finance Ministers Meeting held in Madrid in 2010, we resolve to give new momentum to the cooperation between Europe and Asia with a view to promoting strong, sustainable, balanced and inclusive growth, restoring market confidence, strengthening the resilience and the transparency of the financial system, reforming the financial sector, contributing to the reform of the international financial institutions and spurring economic growth in developing countries.
2. We stress that in order to ensure strong, sustainable and balanced growth and inclusive economies in Asia and in Europe, all ASEM partners have to play a part in addressing economic distortions and weaknesses in policy responses. With this objective in mind, we pledge to strengthen the sources of growth and to conduct structural reforms, moving away from the patterns that created fragilities in the pre-crisis period, including excessive public deficits, non-sustainable debts and development gaps. In the interest of greater stability, we intend to move together. We agree that policy actions must take account of possible spill-over effects and imbalances, and demonstrate a shared responsibility for the global economy, taking into account the different levels of development of countries.
3. We note that, as a result of the extraordinary and well coordinated stimulus packages, the global economic recovery continues. We agree

that priority should be given to restoring market confidence and preserving recovery momentum. We welcome the actions taken in Asia to sustain a robust recovery and maintain the momentum towards economic growth while containing inflationary pressures. We note the connection between large fiscal deficits and rising debt levels inherited from government interventions in the midst of the financial crisis and the continued fragility of the financial markets and uncertainty in the world economy. For this reason, we welcome the measures taken by European members to ensure a proper functioning of the market for sovereign debt and their readiness to go further if warranted. We encourage the pursuit of credible clearly communicated plans for fiscal consolidation, delivering fiscal sustainability while also protecting economic growth, duly differentiating the speed and timing of consolidation for national circumstances. We emphasize that increasing the potential for economic growth, including through appropriate structural adjustment, should be seen as paramount to ease fiscal adjustments in the longer run.

4. We recognize the need for financial safety nets to help countries cope with financial volatility and reduce the economic disruptions from sudden swings in capital flows. We welcome in this regard the IMF's recent decision to improve its approach to crisis prevention. We also recognize both the multilateralisation of the Chiang Mai Initiative in Asia and the European Financial Stabilization Mechanism as valuable regional instruments. We agree however that sound macroeconomic and financial policies should continue to be the first line of defense against macroeconomic shocks. Further, we encourage the G-20, in close cooperation with the Financial Stability Board (FSB), to make as announced rapid progress with strengthening the resilience and the transparency of the financial system.

5. We reaffirm the need to deliver on the projected reforms in the field of financial regulation and supervision. The lessons from the past have to be learnt and a more efficient, resilient and reliable financial environment must be created. The importance of stronger capital adequacy and liquidity rules is highlighted by the recent agreement reached by regulators and we look forward to its formal adoption. We emphasize the need to eliminate excessive leverage practices. We also emphasize the need to improve supervisory and crisis management processes with specific attention for the moral hazard associated with systemically important financial institutions. We agree to strengthen over-the-counter derivatives regulation and to improve regulatory oversight of financial firms, hedge funds and credit-rating agencies in order to reduce systemic risks and improve market efficiency, transparency and integrity. Good governance in the financial sector should further be promoted through the conclusion of agreements purporting informa-

tion exchange and cooperation amongst supervisors for regulatory purposes. We fully support the work of the Financial Action Task Force and Financial Action Task Force-Style Regional Bodies in their fight against money laundering, terrorist financing and information exchange on jurisdictions with strategic deficiencies. We agree that the financial sector should bear a fair share of the cost incurred by governments in conditions of crisis, something that can be achieved through a number of possible policy approaches suitable for different national situations. We also emphasize the importance of agreeing internationally a single set of high-quality accounting standards, applicable globally.

6. We emphasize that our collective efforts depend on well-functioning, responsive and adequately funded International Financial Institutions.

7. We confirm our ambition to modernize the governance of the IMF, to improve its credibility, legitimacy and effectiveness and call for resolve to ensure the IMF has the resources it needs to fulfill its mandate. In this regard, we support the Fund's efforts to update its mandate and to clarify its role and responsibilities in overall surveillance and preservation of the stability of the international monetary and financial system.

8. In view of the strong growth in dynamic emerging markets and developing countries, we express support for the implementation of the IMF quota reform, by the G-20 Summit of November this year, to adequately reflect the relative weight and responsibilities of the IMF members in the world economy. As decided at the October 2009 meeting of the International Monetary and Financial Committee in Istanbul, we reaffirm that IMF quota shares must be shifted to dynamic emerging markets and developing countries by at least 5% from overrepresented to underrepresented countries using the current quota formula as the basis to work from, while protecting the voting power of the poorest countries. We recognize that, in parallel, wider governance issues should be addressed. These include an open, transparent and merit-based process for the appointment of heads and senior leadership of international institutions, Fund Governor's involvement in the strategic oversight of the IMF, staff diversity at senior and mid-level positions, voting modalities, and a representative and inclusive size of the IMF's Executive Board. We look forward to a constructive dialogue between Ministers and Governors at the upcoming Annual Meetings of the IMF and World Bank.

9. We welcome the decision by the Development Committee of the World Bank on the World Bank's voice reform, which will increase the voting power of developing and transition countries by 4.59% compared to 2008 and look forward to its timely approval by the Board of Governors. We underline our commitment to continue moving over time towards equitable voting power distribution, while protecting the

smallest poor countries, on the basis of a dynamic formula which primarily reflects countries' evolving economic weight and the World Bank's development mission.

10. We call specifically for actions that encourage more sustainable models of development, benefit developing countries and reduce poverty. We believe that these should include market access, cross-border investments, international assistance, actions on debts and technology transfers. In this regard, we welcome the initiative announced by the G-20 to focus on economic growth in developing countries, narrowing the development gap and reducing poverty, and its stated intention to elaborate a development agenda and multiyear action plans.

11. We reiterate our resolve to conclude the WTO Doha Development Agenda promptly because a successful conclusion would provide a powerful economic stimulus for global sustained recovery. We reaffirm our commitment to reject protectionism, refrain from raising new barriers to trade and investments and keep markets open. We also underline the importance of deepening economic integration within and between both regions as a means to global recovery. We recognize the high expectations placed on us to help strengthen worldwide economic and financial policy coordination.

12. We reiterate the importance of inclusive consultation and coordination among ASEM partners to achieve sustainable recovery. We express full readiness to work with the G-20 in order to strengthen the world economy and achieve, in the appropriate multilateral fora, the required higher standards and necessary regulatory reforms. We call for full cooperation to ensure the successful outcome of the forthcoming G-20 Seoul Summit.

Brussels, 5 October 2010



## **Annex 3**

### **Hanoi Declaration on Closer ASEM Economic Partnership**

1. At the fifth Asia-Europe Meeting (ASEM) held in Hanoi on 8-9 October 2004, Leaders had an in-depth discussion on closer ASEM economic partnership and agreed to issue the following declaration:
2. Reiterating the principles of ASEM economic cooperation which include commitment to the market economy, closer cooperation between governments and businesses, non-discriminatory liberalization and regionalism, compliance with the WTO rules, mutual respect and equal partnership, with recognition of the economic diversity within and between Asia and Europe;
3. Recognising the economic potential of the two regions, the value of synergy between them and the importance of ASEM economic cooperation for achieving this potential; and commending the contributions that the ASEM Trade Facilitation and Investment Promotion Action Plans have made towards this since 1998;
4. Encouraged by the steady improvement of the Asian economy from the setback caused by the financial crisis in 1997 and the enlargement of the European Union, which will provide broader opportunities to further deepen economic partnership between Asia and Europe in an enlarged ASEM;
5. Determined to work together in facing challenges to our economy, such as the uncertain oil prices, gap between rich and poor, digital divide, HIV/AIDS, and population ageing;
6. Expressing our gratitude for the reports submitted by the ASEM Taskforce and Asia-Europe Business Forum (AEBF);

#### **And hereby declare as follows:**

7. The ASEM partners will renew efforts to foster a closer ASEM economic partnership in order to bring into full play the potential and synergy of the two regions, to accelerate the process of regional cooperation and integration, to reinforce the sustainability and effectiveness of the partnership and to increase the role of ASEM in the process of economic globalisation. This work is to be carried forward in line with the

overall objectives of reinforcing ASEM economic cooperation, namely sustainable economic growth, improved business environment and opportunities, facilitated trade in goods and services and investment flows, contribution to the global economic dialogue, responses to the impact of globalisation and increased living standards of our people.

8. We declare a firm commitment to pursue closer economic cooperation between our two regions through closer economic partnership, aimed at expansion of trade in goods and services and investment. We aim to move the partnership forward on an equal and fair basis, making use of informal policy dialogues, sharing of information and experience, and joint working on practical and project-oriented objectives. We are committed to work for greater efficiency and effectiveness of the ASEM process, following the guidelines below.

### **Strengthening trade and investment flows between the two regions**

9. We commit ourselves to carry forward ASEM economic activities, taking into account the Trade Facilitation Action Plan (TFAP), Investment Promotion Action Plan (IPAP), and other forms of economic cooperation. The economic activities of ASEM in the period ahead will include efforts on trade and investment facilitation and promotion, reducing trade barriers, thus stimulating trade and investment flows between the two regions, strengthening Public-Private Partnership (PPP), and enhancing dialogues on coordination in areas of mutual interest, important trade and investment themes such as capacity building, policy transparency and joint investment promotion.

10. We call on our Economic Ministers with their Senior Officials to further identify and pursue new initiatives relating to trade and investment facilitation and promotion, to exchange information on trade and investment opportunities in the new ASEM partner countries, and to explore complementarities and scope for synergy between existing initiatives of ASEAN, ASEAN + 3 (China, Japan and Korea) and the EU with the aim of maximising the effectiveness of trade and investment between regions.

### **Cooperation in finance**

11. Financial cooperation under closer ASEM economic partnership will be strengthened through information sharing, cooperation and dialogue. Areas for attention include: monetary and fiscal policies, financial market development and surveillance, debt management, structural

reforms, the actions against money laundering and the funding of terrorism as well as the challenges posed by ageing populations and poverty. The overall aim of our cooperation is a sound, sustainable and resilient financial architecture in order to cope with potential financial shocks, and to support broad-based and sustainable growth in Asia and Europe in the future.

12. In such a spirit, with reference to the report of the ASEM Task Force for Closer Economic Partnership, we call on Finance Ministers to further explore the recommendations and other ways to strengthen this partnership within their responsibilities.

### **Cooperation in other sectors**

13. We firmly believe that the ASEM process plays or could play a constructive and complementary role to the course of cooperation in specific fields including energy, transport, IPR protection enforcement, tourism, E-commerce, and SME facilitation in and between the two regions. We wish to see cooperation in these sectors strengthened through sharing of information, experiences and best practices, and where appropriate practically oriented cooperation and coordination activities.

14. Taking into account the current oil market situation, we are willing to find a common approach and possibilities for cooperation on a voluntary and commercial basis in areas of mutual interests and concerns on energy-related issues.

### **Complementing support for the multilateral trading system with regionalism**

15. We reaffirm the importance of the multilateral rule-based trading system under the World Trade Organisation (WTO). This will remain the most effective and legitimate means of managing and expanding trade relations between ASEM partners.

16. We welcome the recent breakthrough in the Doha global trade round with the adoption of negotiating frameworks for agreed areas, and we urge WTO members to undertake the remaining work aimed at achieving sustained progress in the Doha Development Agenda (DDA) negotiations. We express our determination to cooperate in pushing forward the Doha negotiation to an ambitious and balanced conclusion as the first priority on our trade agenda, so as to strengthen and improve the multilateral trading system, to the benefit of all.

17. We recognise the importance of integration into the multilateral, rule-based trading system, and extend strong support for the early accession of the Socialist Republic of Vietnam and Laos People's Democratic Republic to the WTO.

18. We note the increasing momentum in Europe to attain deeper and broader economic integration, as well as the creation of a broader network of Free Trade Agreements (FTAs) in East and South-east Asia. We agree that regionalism that complements the multilateral trade system and in combination with an outward-looking approach to trading relations with partners in other regions can contribute to greater liberalisation over time and prove a great benefit to the global economy. We therefore welcome ASEM partners' initiatives for closer economic cooperation, but emphasize the essential importance of carrying cooperation forward in ways which are consistent with WTO rules, and which do not undermine the multilateral trading system. We commit ourselves to respect this principle in developing the closer economic partnership within ASEM.

### **Interaction with business community**

19. We recognise the role of the business community as a driving force, and regard the AEBF as an important bridge linking business communities and governments as well as individual business, including SMEs in the two regions. We encourage the AEBF to explore ways to enhance linkages between small and large firms and to promote cooperation among SMEs, including intermediary agencies.

20. We emphasise the need to improve business involvement in the ASEM process and make it more responsive, relevant and substantially interactive with the business community. In this context we take note of the recommendations made by the AEBF. Consultations within the business community and beyond should be enhanced to ensure that any new steps have full backing from, and support of, those whom they are intended to benefit.

21. We encourage deeper involvement of national and regional business organizations and networks such as Chambers of Commerce, Employers' Federations and eminent business people in cooperation activities under the ASEM Economic Pillar. We call on Economic and Finance Ministers and the next AEBF Chair further to improve ways of interaction between businesses and governments.

## **Conclusion**

22. We express our strong belief that the closer ASEM economic partnership developed in line with this Declaration will promote sustainable growth and shared prosperity in our Asia and Europe continents. We call on our Economic and Finance Ministers to meet at the earliest opportunity to take action forward under these guidelines and coordinate with their fellow-Ministers with specific responsibilities as appropriate, taking account of proposals recently put forward, including the recommendations submitted by the ASEM Taskforce and AEBF.

Hanoi, Vietnam  
9 October 2004

## Annex 4

### Non-Paper

On 4<sup>th</sup> and 5<sup>th</sup> of October 2010, the European and Asian participants in ASEM representing about 58% of the world population and 60% of world trade, will hold their Eighth Summit. This meeting, at Head of State and of Government level, provides an outstanding opportunity to promote international peace and security in equal partnership and to pursue the dialogue on issues of common concern. This non-paper is meant as a first step in the identification and preparation of issues, while keeping in mind that ongoing events may eventually influence the actual content of the Summit discussions. Partners are invited to help prioritize among the wide range of subjects suggested or to contribute with their own expectations for the Summit.

Supporting events such as the Parliamentary meeting, the People's Forum and the Business Forum are not the subject of this paper. The issue of enlargement of ASEM to new participants is not addressed either.

The proposed starting point in the process of issue identification is the intervention at the end of the Beijing ASEM 7 Summit of then Prime Minister of Belgium Yves Leterme. Stating that what is at stake is 'the future of the one human family we all belong to', he emphasized 'the common dream of achieving greater wellbeing and more dignity for all the citizens'. Captured under the title *Quality of Life*, this early indication of the general theme for the Brussels Summit was well received, in particular at the Hanoi Foreign Minister's Meeting of May 25<sup>th</sup> last.

Recent experience in Europe and in Asia teaches that *wellbeing* cannot be conceived exclusively in quantitative terms, i.e. in terms of average income figures. Income distribution, social harmony, environmental quality, equal opportunity, human security, public health, fundamental human rights, cultural identity and overall stability, to name but a few, are equally important in providing the sense of a balanced development path. In Europe and in Asia, consciousness of this has increased over the last years all the while globalization and country-specific policies achieved remarkable economic success. Today, societies in both regions face an identical challenge in devising the kind of policies which help adapt to the pace of modernization. In both regions, the traditional so-

cial fabric is strained by the fast developing world economy and by the unprecedented movement of people coming with it. This may be a first substantial subject on which Heads of State and of Governments could usefully share experiences.

Then Prime Minister of Belgium Yves Leterme further identified three main challenges to be picked up at the Brussels ASEM Summit: the financial and economic crisis, the Millennium Development Goals and the Post-Kyoto process.

In Beijing, ASEM leaders addressed the *international financial crisis* and the severe challenge it posed to the economic development of countries in Asia and in Europe. The ASEM 8 Summit provides an opportunity to pursue the cooperation initiated there. Issues such as the oversight of financial markets and the adequacy of growth-stimulating policies, including policies aiming at innovation of products and services, all appear relevant. Some of them are being discussed within the G-20, but ASEM partners can weigh in and help give direction to this forum. In addition, the reversal of protectionism and the encouragement of trade-friendly policies through the conclusion of the Doha Development Agenda would contribute to the resolution of the economic crisis. Actually, trade facilitation and investment promotion were among the key initial objectives of the ASEM process. A case can be made that they should be in focus to help emerge from the economic crisis. At ASEM 8, leaders might wish to re-energize efforts aimed at stimulating bilateral trade and investments between the two regions.

In September 2010, an Intermediate UN Summit is planned on the implementation of the *Millennium Development Goals* while the deadline to achieve them is set for the year 2015. The Millennium Development Goals constitute a joint undertaking of major importance for all ASEM partners collectively. Building on the Beijing Declaration on Sustainable Development, the partnership could address the factors that influence their implementation. The specific issue of *food security* has since also been raised, in particular at the last G-8 meeting in Aquila. It might require specific attention. High prices and relatively low production levels while world demography steadily expands have drawn world attention to the challenge of ensuring availability of food to everyone.

In December 2009, the 15th Conference of Parties of the United Nations *Climate Change* Convention in Copenhagen is expected to conclude on a comprehensive global approach in the fight against rising world temperatures. ASEM partners are keenly aware of the potentially disastrous consequences of these for the daily life of millions of citizens. Some partners have identified a connection between climate change and their security as a nation. Hence, it would make perfect sense for ASEM partners who represent more than half of the world's

population to lead in formulating adequate responses and thereby stimulating cooperation with the rest of the world community.

In the context of climate change, the kinds of *energy* resources being exploited and the way in which they are being used constitute specific subjects for discussion. However, other issues are clearly also of concern. They include equitable access to energy resources, transparency of energy pricing and non-discriminatory operation of energy markets. These issues concern ASEM partners specifically all the while they are of interest to the world community at large.

Besides, there may be other subjects for meaningful dialogue.

*Cross-border phenomena* such as organized crime, drug trafficking, human trafficking, illegal migration, pandemics, corruption, terrorism and environmental issues not related to climate change, to name but a few, are of an equal pressing concern to ASEM partners. While useful work has been done on these issues, including on border security and management, there is a feeling that more could be done. One example is the exchange of judiciary and police experience, which, if agreed, could be expanded further.

The foreign policy issues to be discussed at the Summit are likely to be dependent on the international political situation at that time. A few however can already be identified.

Developments in *Afghanistan* are part of the recurrent agenda of ASEM partners. Coordination of international efforts is indeed of essence for the country and for the stability of the whole region.

Other developments, whether they occur in Europe or in Asia, can of course also be addressed within the political dialogue with a view to exert the collective influence of ASEM partners. At ASEM 7 in Beijing and at the last Foreign Ministers' Meeting in Hanoi, specific attention was devoted to *Myanmar*, the *Korean Peninsula*, and the *Iranian* nuclear issue.

The present situation in the *Horn of Africa* is a cause for specific concern for European and Asian partners in ASEM alike. Persistent piracy in the area, feeding on the fragility of the states in the region, disrupts strategic sea lanes that connect the economies of both. Terrorism might breed on such ground, further aggravating unstable regional conditions. At present, both Asian and European ASEM Partners are contributing to UN efforts to address them, including through peacekeeping resources. This seems to reflect a unity of mind and of purpose.

Increasing *contacts between people* from Asia and Europe has been a mainstay for ASEM. Leaders could consider measures to build and expand on the useful work performed by ASEM, ASEM's only established institution. The goal is to bring an ever growing number of business travelers, tourists, academicians, students, opinion makers, civil society representatives and local and regional leaders to visit each other.



In addition, ways and means could be developed to advance the offer of *academic exchanges* under the care of the Ministers of Education and the Rector's Conferences. Similarly, progress could be encouraged in *cultural cooperation and exchanges*, at the behest of the Ministers for Culture now meeting regularly. Interfaith and interreligious dialogue has contributed much to bring Europeans and Asians closer together on an agenda of tolerance and mutual understanding. How to carry it further and how to increase its beneficial impact deserve specific attention. The same applies to the dialogue between civilizations in conjunction with the UN initiative of Alliance of Civilizations.

As has become customary, the Heads of States and of Governments will likely want to address the *future of the ASEM* process. Under this heading, issues relating to the functioning of the dialogue may be discussed, including the general coordination of the dialogue, the management of the 'issue-based leadership', and the efficiency of the work achieved within ASEM, based on proposals to be developed.

Finally, ways and means should be further developed to increase the *visibility* of the dialogue.

Belgium, 6 October 2009

## Annex 5

### Concept Paper

The ASEM 8 Summit will take place in Brussels on 4<sup>th</sup> and 5<sup>th</sup> of October 2010. A non-paper was circulated last October to which partners have abundantly reacted. This concept paper is a follow-up. Taking into account the comments received, it makes a first attempt at the identification of issues of common concern, organizing them in a streamlined structure.

Again, this concept paper is only one more intermediate step designed to help ASEM partners move forward on the prepared agenda of the Summit. It contains substantial and procedural elements. As stated before, this process does not preempt the actual content of the discussions among ASEM leaders at the Summit. Leaders naturally will want to address the issues of the day at the time of their gathering. Supporting events such as the Parliamentary meeting, the People's Forum and the Business Forum will be addressed separately.

#### *Begin*

“Achieving greater wellbeing and more dignity for all citizens” stands as the general theme of ASEM 8. Captured in short by “Quality of Life” as announced at the Hanoi Foreign Minister’ Meeting in May 2009, it is proposed to develop the theme under two subheadings as follows:

#### MORE EFFECTIVE WORLD GOVERNANCE STRUCTURES

The world is being transformed by the latest *economic and financial crisis*. Financial markets and companies are gradually adjusting, but new supervisory arrangements are still to be defined. Also, coordinated stimulus packages presently sustain economic activity, but the significant public deficits they produce are still to be addressed. An ASEM Finance Ministerial meeting is going to be dedicated to these themes in Madrid, Spain, in April 2010. In fact, there is a general sense that economic relationships are shifting and so are corresponding responsibilities. Therefore, the world's governance structures have to adapt. More and better coordination of policies is needed to resolve the new economic imbalances and avoid a recurrence of the kind of crisis and of social consequences the world is seeing. At their last Summit, ASEM Leaders

led the international debate on these issues. They are well placed to take it forward and to consider how multilateral institutions, the bodies which hold the legitimacy in the eyes of the members of the world community, large and small, could be further modernized, rendered more effective and more responsive to current needs.

#### ADVANCE ON THE PATH OF SUSTAINABLE DEVELOPMENT

ASEM leaders should pursue the work of ASEM 7 and consider ways to move further ahead on the path of sustainable development in support of the Millennium Development Goals. A balanced approach would require simultaneous progress on:

##### *Economic development*

Private sources of demand must be reestablished as the main drivers of growth across countries. Structural adjustment to achieve this must be encouraged by governmental authorities, including through market liberalization and innovation of products, services and production processes. Open and free international trade is supportive of this objective. Hence, protectionist measures must be rolled back, the Doha Development Agenda must be concluded, and new trade and investment flows should be stimulated. Special attention needs to go to the production and trade in foodstuffs, ensuring *food security* for all, in particular for the neediest. Cooperation on economic development should be strengthened. That was the subject of the 1<sup>st</sup> High Level ASEM Conference in Manila, Philippines, in April 2009. A follow-up Conference is planned in Indonesia in spring 2010. Specific opportunities in the sector of transportation were examined at the 1<sup>st</sup> ASEM Transportation Ministerial in Vilnius, Lithuania, last October, and could be pursued at the projected Land Bridge Seminar in Pakistan. An Economic Ministerial meeting is still in project for early 2010.

##### *Social development*

In June 2009 and in response to the crisis, the ILO adopted a 'Global Jobs Pact' supported by Asian and European ASEM members alike. It aims at creating jobs, protecting workers and stimulating economic recovery. It should be implemented. More generally, social development is dependent upon the promotion of decent working conditions and respect for ILO labor standards. Effective dialogue between social partners and open consultative labor relations should be encouraged for they generate mutual understanding on issues such as productivity, working conditions, remuneration and economic change. Also, care must be taken of the protection of workers, particularly in times of crisis, through sustainable social security schemes. Furthermore, it is of structural im-

portance to ensure the long-term inclusiveness of labor markets. This would require sustained action to promote education, lifelong skill development, career development tools and specific measures for the most vulnerable. To examine these issues, an ASEM Labor Ministerial meeting is planned in Leiden, the Netherlands, in December 2010. In addition, ASEM members face the challenge of ageing populations. This must also be addressed within the general goal of creating societies that are both equitable and inclusive.

#### *Environmental protection*

Climate change is the most pressing threat. ASEM partners share a mutual commitment to finding a long-term multilateral solution. In the light of the Copenhagen Conference, the issue has taken on a new urgency, which should be addressed when the UNFCCC Conference next meets in Mexico. There is no other way but for members of the world community to implement proactively a mixture of reduction, mitigation and adaptation measures, each acting under a common though differentiated responsibility and according to his respective capability. Energy consumption patterns matter in this respect. Energy saving, energy efficiency and conversion to renewable, carbon-free, sources of energy must be pursued. They can be supported by market policies which should however at the same time preserve the energy security of the respective countries. These issues were examined at the 1<sup>st</sup> ASEM Energy Ministerial in Brussels, Belgium, last June. They could receive further consideration at a follow-up meeting in Singapore in the first half of 2010 and at other climate-related events. This being said, human activities such as urbanization, industrialization, building of transportation networks or tourism affect the environment as well. The impact of these also needs to be addressed. In practice, the involvement of civil society in the design and implementation of protection measures goes a long way in changing people's attitudes and bringing about sustainable production and consumption patterns. It therefore deserves to be encouraged. A more widespread availability and adoption of green technologies would likewise help preserve the earth's resources and environment for future generations. It in turn could open an era of new 'green growth' opportunities with positive effect on economic development.

Belgium, as the Host Country of the next Summit, proposes to devote a specific preparatory event involving all ASEM partners to the subjects encompassed in this section with a view to thoroughly prepare the Summit messages relating to sustainable development.

Other themes will require the attention of ASEM Leaders as well. The following are being suggested:

#### ONE GLOBAL ISSUE IN FOCUS

Among the many global challenges faced by the ASEM community, one might lend itself to more specific work. Piracy at sea is threatening the maritime routes linking Europe and Asia. As the phenomenon takes on disturbing proportions, more energetic multidisciplinary approaches may be required, including better coordination of law and order forces of ASEM states and resolution of the complex legal issues involved. Asian ASEM members have considerable experience in fighting piracy and so do European ASEM members. Jointly, they could help promote policies that would set efficient world standards for the fight against this scourge.

Belgium, as the Host Country of the next Summit, proposes to hold a seminar involving non-governmental and governmental human resources on the issue. It could be followed by a specific preparatory event involving the ASEM partners' governments in order to thoroughly prepare a possible Summit message on the subject.

#### REGIONAL ISSUES

Naturally, ASEM leaders will want to discuss political and regional issues in Europe and in Asia as they have done in the past. Since presumably developments at the time of the Summit will have to be taken into account, it would appear premature to suggest details at this stage.

#### PEOPLE TO PEOPLE

Leaders should consider measures to build and expand on the useful work performed by ASEF, ASEM's only established institution. The goal is to stimulate further contacts and interaction between academicians, students, opinion makers, culture professionals, civil society representatives and local and regional leaders. Tourism also deserves to be encouraged.

In addition, ways and means could be developed to advance the offer of academic exchanges under the care of the Ministers of Education and the Rector's Conferences. The establishment under their aegis of the ASEM Education Secretariat in Bonn, Germany, may open up new avenues for intensifying cooperation in the area of education and vocational training.

Similarly, progress could be encouraged in cultural cooperation and exchanges, at the behest of the Ministers for Culture who now meet regularly. An ASEM Culture Ministerial meeting is projected in Poznan, Poland, in September 2010. Besides, interfaith and interreligious dialogue has contributed much to bringing Europeans and Asian closer

together on an agenda of tolerance and mutual understanding, as exemplified by the 5<sup>th</sup> ASEM Interfaith dialogue organized in Seoul, Korea, last September. The 6<sup>th</sup> ASEM Interfaith dialogue is to be held in Toledo/Madrid, Spain, in May next year. How to carry it further and how to increase its beneficial impact would deserve specific attention.

#### VISIBILITY & FUTURE OF ASEM

The visibility of ASEM, a member-driven gathering, depends on the initiatives and actions of ASEM governments themselves. Leaders should examine how they could better integrate and reflect the work achieved within ASEM in their public communication. They could entrust specific tasks to relevant national bodies and institutions with a view to increase efforts or define new approaches. As Host Country of ASEM 8 and with visibility in mind, Belgium has purposely decided not to create a new logo but to use the existing ASEM logo instead, with only the discrete addition of a reference to the location and the year of the Summit.

With 45 members and still expanding, working methods matter more and more to preserve and further advance the ASEM process and ensure its future. Each Summit has devoted attention to this and so will ASEM 8, in the interest of ASEM itself. Taking due account of past discussions and learning from the informal coordination mechanism related to the preparation of ASEM 8 set up by the European Commission, Belgium, as the Host Country of the next Summit, will make proposals to further improve coordination and ensure that ‘issue-based leadership’, a most vibrant part of ASEM, continues with higher benefits for all members of ASEM and with higher inside and outside visibility.

#### ENLARGEMENT

In accordance with the tasking from the ASEM Foreign Ministers in Hanoi, arrangements must be made so that Australia and Russia can formally join ASEM at the Brussels Summit.

At the same time, ASEM Foreign Ministers also mandated Senior Officials to discuss and propose criteria, principles, and procedures, on the basis of the Asia-Europe Cooperation Framework of 2000, regarding the future enlargement of ASEM. This is understood to mean enlargement of ASEM to other countries than Australia and Russia. ASEM partners have to reflect on how to honor this mandate.

## **Annex 6**

### **ASEM 8. Revised Annotated Agenda**

The ASEM 8 Summit will take place in Brussels on 4 and 5 October 2010. A non-paper was circulated in October 2009 to which partners have abundantly reacted. A concept paper then followed in January 2010 and likewise produced very useful feedback. This revised version of the Annotated Agenda takes into account the observations collected at the ASEM Senior Officials' Meeting in Phnom Penh of 5 and 6 May 2010. It remains only a tool to help the ASEM community converge towards common objectives.

As stated before, this process does not preempt the actual content of the discussions among ASEM leaders at the Summit. Leaders will naturally want to address the issues of the day at the time of their gathering. They might wish the Summit to express specific key messages not anticipated in this prepared agenda.

#### **4 October 2010**

##### **16:15-16:45 Opening Ceremony**

Based on the consensus reached on enlargement, the Chair of the Summit will begin by welcoming the new members of ASEM, the Russian Federation, Australia and New Zealand, whose participation in the proceedings will be in all respects on par with the existing members of ASEM.

The Host Country of the former Summit (People's Republic of China) will make the first opening statement.

It will be followed by the Host Country of the present Summit (Belgium) which will introduce the general theme of the Summit: 'Achieving greater wellbeing and more dignity for all citizens', captured in short as 'Quality of Life'.

Further opening statements are then expected from the first Asian coordinator [Kingdom of Cambodia], from the remaining European coordinator (the European Commission) and from the other Asian coordinator [Republic of Korea].

**17:00-19:00 (Closed) Session One****TOPIC I MORE EFFECTIVE GLOBAL FINANCIAL AND ECONOMIC GOVERNANCE**

The world is being transformed by the recent *economic and financial crisis*. Financial firms are gradually adjusting to evolving market conditions. Yet, new supervisory arrangements are being defined which will influence their regulatory environment and impose further adaptations. Also, coordinated stimulus packages that have supported the recovery now still sustain economic activity and employment in various countries. At the same time, these packages have engendered significant public deficits with consequences for the world economy as a whole.

Which policies are now needed? How to schedule, formulate and communicate credible exit strategies and consolidation paths? Is it possible or necessary to influence the relative parts of internal and external sources of growth? How intrusively should governments and regulators henceforth act on the economy? As it happens, discussions have emerged about exchange rate management and about the present reserve currency system in the context of bringing about greater stability. In addition, attention has been called on the major objective to foster a more sustainable model of development, with a beneficial impact in particular for the development of developing countries.

In fact, the crisis has brought about a significant shift in economic and social realities. A new economic and financial architecture that is fair, just, inclusive and well-managed may be called for. International financial institutions might have to take better account of the actual weight of countries in the world's economy, trade and finances. More coherent strategies, more robust financial systems and more effective international cooperation may be needed. Spillovers might increasingly have to be considered when deciding national policies that have an impact on partners worldwide. Existing international consultation mechanisms might be up for review.

Such kind of cooperation involving macroeconomic policies could be essential to resolve present imbalances, promote strong, sustainable and balanced growth within and across nations and avoid a recurrence of the kind of crisis and of social consequences the world is faced with. At their last Summit, ASEM Leaders led the international debate on these issues. ASEM 8 offers an opportunity to show unity and to enhance the role of ASEM in global policy-making and in restructuring the economic order, including by weighing in on G-20 activities. ASEM Leaders representing developed as well as developing countries are well placed to consider how multilateral institutions, the bodies which hold the legitimacy in the eyes of the members of the world community,



large and small, could be further modernized, rendered more effective and more responsive to current needs.

Relevant meetings:

- ASEM Finance Ministers' Meeting, Madrid, Spain, 17-18.4.2010
- G20 Toronto, Canada, 26-27.6.2010
- G20 Seoul, Korea, 11-12.11.2010

### **19:45-21:00 Working Dinner**

The discussion initiated under Closed Session One is expected to continue.

## **5 October 2010**

### **9:30-11:00 (Closed) Session Two**

#### TOPIC 2 ADVANCE ON THE PATH OF SUSTAINABLE DEVELOPMENT

ASEM leaders should pursue the work of ASEM 7. They should consider ways to move further ahead on the path of sustainable development in support of the Millennium Development Goals and of other internationally agreed development goals, including the Johannesburg Plan of Implementation. On the one hand, policies adopted in response to the crisis should be consistent with these objectives. On the other, a balanced approach to sustainable development would require further and simultaneous progress in the following three areas which mutually support each other:

#### *Economic development*

Private sources of demand have to be reinvigorated as the main drivers of growth across countries. Structural adjustment to achieve this has to be encouraged by governmental authorities, including through market liberalization and incentives in the innovation of products, services and production processes. Open and free international trade is needed to reach this objective. The conclusion of the Doha Development Agenda would represent in this respect the single most important contribution. It must be achieved as promised by the end of 2010. Also, protectionist measures that run counter to the rules are to be rejected and, when introduced, are to be rolled back without delay.

In the same spirit, new trade and investment flows should be stimulated between Asia and Europe. New efforts at regulatory reforms could be undertaken, addressing 'behind-the-border barriers'. This could be

pursued through dialogue and with the involvement of private business communities. The revival of the *Trade Facilitation Action Plan* and the *Investment Promotion Action Plan* established by ASEM ten years ago could be considered. *Transportation* offers specific opportunities to expand economic relations. It is an economic sector suffering from specific choking points. Remedies may include the development of infrastructure, the simplification of procedures, the promotion of multimodal schemes and further liberalization. Transportation stands as a major factor of connectivity between the economies of Asia and Europe and within these regions. Likewise, *information and communication technologies*, as catalysts for globalization and innovation, act as positive agents on economic development. A resumption of the Economic Ministers' Meeting is called for.

Special attention needs to go to ensuring *food security* for all and in particular for the neediest. The focus should be on sustainable agricultural production and on rural development, assisted by scientific research. Well-functioning markets are equally required, aided by adequate post-harvest, storage and food-processing technologies. Barriers that confront producers with wrong incentives should be eliminated while rules must take into account the specificities of trade in agricultural goods.

Cooperation on economic development between Asia and Europe should be strengthened, including through well-defined sub-regional mechanisms. It is in the interest of the fight against poverty. A pertinent example is the joint European and Asian effort in narrowing economic disparities and promoting social progress and sustainable development in the Mekong sub-region.

### *Social development*

In response to the crisis, the ILO adopted in June 2009 a 'Global Jobs Pact' supported by Asian and European ASEM members alike. The Pact aims at creating jobs, protecting workers and stimulating economic recovery. It should be implemented so as to neutralize the risk of 'growth without employment' with adverse effects on economic stimulus and growth.

More generally, promotion of decent working conditions and respect for ILO labor standards are of crucial importance for social development. Effective dialogue between social partners and open consultative labor relations should be encouraged for they generate mutual understanding on issues such as productivity, working conditions, remuneration and economic change. Specific attention should go to migrant labor as a particularly vulnerable sector, yet an important contributor to global prosperity.

Also, care must be taken of the protection of workers, particularly in times of crisis. The need for effective social safety nets is recognized, as part of – or leading towards – sustainable social security schemes. As a matter of fact, the existence of social protection has a bearing on the behavior of people in regard of accumulation of savings, with potential beneficial effects on allocation of resources, economic growth, alleviation of poverty and overall macro-economic stability.

Furthermore, it is of structural importance to ensure the long-term inclusiveness of labor markets. Sustained action to promote education, lifelong skill development, career development tools and specific measures for the most vulnerable seems to be called for.

In addition, ASEM members face the challenge of ageing populations. This must also be addressed within the general goal of creating societies that are both equitable and inclusive. The promotion of corporate social responsibility is further recognized as a possible, important contribution to this objective.

#### *Environmental protection*

Climate change is the most pressing threat. ASEM partners share the commitment to find a long-term multilateral solution. The centrality of the UNFCCC process is recognized. The negotiations on the two tracks defined in the Bali Roadmap will be continued, building on the outcome of the Copenhagen Conference and with the goal of a strong and ambitious outcome through the UNFCCC conferences in Bonn and in Cancun. The ultimate goal is an all-encompassing binding legal agreement.

There is no other way but for members of the world community to implement proactively a mixture of mitigation and adaptation measures, each acting in accordance with the principle of common but differentiated responsibilities and respective capabilities and taking into account social and economic conditions. Understandably, calls have been made for financial assistance and technology transfers.

Energy consumption patterns also matter. Energy saving, energy efficiency and conversion to renewable, low carbon or when possible carbon-free sources of energy are all worth pursuing. Sharing of good practices can play a role, and so can market policies which should nonetheless preserve the *energy security* of the respective countries.

Human activities such as urbanization, industrialization, building of transportation networks or tourism affect the environment as well. Their impact needs to be addressed. Particular attention is being drawn to the management of water and forestry resources, also because of the obvious relationship to the issue of climate change. Similarly, the further conservation and sustainable use of *biodiversity* in the world

should be a priority for action, including in the context of the United Nations Year for Biodiversity (2010).

In practice, the involvement of civil society in the design and implementation of environmental protection measures goes a long way in changing people's attitudes and bringing about sustainable production and consumption patterns. Such involvement deserves to be encouraged.

Equally, a more widespread availability and adoption of green technologies, which e.g. save energy, would help preserve the earth's resources and the environment for future generations. It may in addition open the way to new economic and employment opportunities, generating what is labeled *green growth* and advancing sustainability. Besides, energy security could improve as a consequence of reduced energy consumption levels. The combat against climate change could likewise make important strides.

Relevant meetings:

- 1<sup>st</sup> ASEM Energy Ministerial in Brussels, Belgium, 18.6.2009
- 1<sup>st</sup> ASEM Transportation Ministerial in Vilnius, Lithuania, 19-20.10.2009
- UNFCCC Ministerial Conference in Bonn, Germany, 2-4.5.2010
- 2<sup>nd</sup> High Level ASEM Conference in Yogyakarta, Indonesia, 26-27.5.2010
- ASEM Employment High-Level Forum, Geneva, Switzerland, 14.6.2010
- United Nations High-Level Plenary Meeting on the Millennium Development Goals, New York, USA, 20-22.9.2010
- United Nations High-Level Plenary Meeting on Biodiversity, New York, USA, 22.9.2010
- Convention on Biological Diversity, COPs 10, Nagoya, Japan, 24-26.10.2010
- UNFCCC COPs 16, Cancun, Mexico, 29.11-10.12.2010
- ASEM Labor Ministerial Meeting, Leiden, the Netherlands, 12-14.12.2010
- UN Conference on Sustainable Development, Rio de Janeiro, Brazil, 2012 (Rio + 20)

It is in consideration of the vast array of issues encompassed under the agenda item 'Sustainable Development' that Belgium has planned a specific preparatory event on 23-24.6.2010 in Brussels, involving all ASEM partners with a view to thoroughly preparing the Summit message relating to it.

### 11:30-12:30 (Closed) Session Three

The discussion initiated under Session Two might have to be continued into this session.

#### TOPIC 3 GLOBAL ISSUES IN FOCUS

Global issues suggested for discussion include the fight against *terrorism* and the combat against *organized crime*. At this stage, no concrete language has been suggested. A succession of concrete experiences would call for increased cooperation among ASEM members in regard of *disaster prevention* and *disaster relief*. Similarly, it is being suggested to address *human security* in general, since it places the people at the center and calls for collaboration between governments, international organizations, non-governmental organizations, civil society and the private sector.

Concrete work has started on one specific challenge. *Piracy at sea* is threatening the maritime routes linking Europe and Asia. As the phenomenon takes on disturbing proportions, more energetic multidisciplinary approaches may be required, including better coordination of efforts of ASEM states and resolution of the complex legal issues involved. Asian ASEM members have considerable experience in fighting piracy and so do European ASEM members. Jointly, they could help promote policies that would set efficient world standards for the fight against this scourge.

Belgium, as the Host Country of the next Summit, has organized a seminar (4-5 May, Brussels) on the issue involving non-governmental and governmental representatives. Now, a specific preparatory event for ASEM governmental negotiators is scheduled in Brussels on 24-25 June in order to prepare a possible Summit message.

Also, ongoing discussions on the *reform of the UN system* could be evoked. Meanwhile, the issue of *non-proliferation* has been signaled as a common concern of the ASEM community.

Relevant meetings:

- Nuclear Security Summit, Washington, USA, 12-13.4.2010
- NPT Review Conference New York, USA, 3-28.5.2010

### 13:30-14:45 Working Lunch

#### TOPIC 4 REGIONAL ISSUES

ASEM leaders will want to discuss concrete political and regional issues in Europe and in Asia as they have done in the past. Since develop-

ments at the time of the Summit will have to be taken into account, it would appear premature to suggest details at this stage.

More generally, there may be an interest to discuss the evolution of the respective *regional architectures* of multilateral institutions and dialogue fora. In order to enhance mutual understanding, European Leaders could explain the developments in the European integration process, and Asian Leaders could explain the various initiatives for deepening and widening Asian regional institutions and arrangements.

### 15:15-16:15 (Closed) Session Four

#### TOPIC 5 PEOPLE TO PEOPLE, VISIBILITY & FUTURE OF ASEM

Leaders could encourage further progress in the overarching goal of stimulating further *people to people contacts* and interaction between academicians, students, opinion makers, culture professionals, civil society representatives and local and regional leaders. These raise the *inter-connectivity* between Europe and Asia. Tourism also deserves to be encouraged.

They could take a moment to review the recommendations and resolutions worked out by the Parliamentary partnership, the People's Forum and the Business Forum. These are the respective *parallel dialogues* that are part and parcel of the ASEM process.

They could take note of the efforts to expand the offer of academic exchanges under the care of the Ministers of Education and the Rector's Conferences. The establishment, under their aegis, of the ASEM Education Secretariat in Bonn, Germany, may open up new avenues for intensifying cooperation in the area of *education* and vocational training. It would support strengthening education systems throughout the ASEM region. Further tools are the ASEM *Duo Fellowship program* and the establishment of a *Trans-Eurasian Information Network* (TEIN) Cooperation Center.

Similarly, progress could be encouraged in *cultural cooperation* and exchanges, at the behest of the Ministers for Culture who now meet regularly.

Besides, *interfaith and interreligious dialogue* has contributed much to bring Europeans and Asians closer together on an agenda of tolerance and mutual understanding. How to carry it further and how to increase its beneficial impact deserve specific attention.

Leaders should consider measures to build and expand on the useful work performed by ASEF, ASEM's only established institution. Attention is drawn to the need to provide it with long-term financial sustainability.

Leaders could encourage further work on the *visibility* of ASEM. As a member-driven gathering, ASEM crucially depends on the initiatives,

actions and communication policies of Partners themselves. National bodies and institutions could take on new specific tasks to achieve better results.

With 48 participants and still expanding, *working methods* are ever more important to preserve and further advance the ASEM process and ensure its future. Taking due account of past discussions and learning from the informal coordination mechanism related to the preparation of ASEM 8 set up by the European Commission, a discussion paper has been tabled by Belgium, the Host Country of the Summit. ASEM members may wish to consider recommendations for endorsement by the Leaders. The goal is to improve the coordination and to ensure that “issue-based leadership”, a remarkably vibrant part of ASEM, continues with higher benefits for all members of ASEM and with higher inside and outside visibility.

Relevant meetings:

- 5<sup>th</sup> ASEM Interfaith dialogue, Seoul, Korea, 23-25.9.2009
- ASEM Outlook Seminar (ASEF), Brussels, Belgium, April 15-16.4.2010
- 6<sup>th</sup> ASEM Interfaith dialogue, Toledo/Madrid, Spain, 6-9.4.2010
- Senior Officials’ Meeting, Phnom Penh, Cambodia, 5-6.5.2010
- 3d Global Forum of the Alliance of Civilization, Rio de Janeiro, Brazil, 27-29.5.2010
- 4<sup>th</sup> ASEM Culture Ministerial meeting, Poznan, Poland, 9-10.9.2010

### **16:45-17:15 Closing Ceremony**

The Chair will present the texts for approval by the Leaders and formulate any additional appropriate conclusions.

The Host Country of the Next Summit in 2012 (to be determined) will take the floor last.

### **Final Remarks**

- ASEM members’ preference for one Chair’s Statement combined with one or two specific Declarations on a delimited subject or theme has been duly registered. The suggestion that Leaders might take note of reports or endorse recommendations has also been recorded. Calendar-wise, the aim is to produce texts – without prejudice to structure – by early July with a view to discuss them at the Senior Officials’ Meeting of 14 July in Brussels.

- The Chair is preparing proposals to honor ASEM’s goal of “developing direct and personal contacts between Asian and European leaders” while respecting the requirements of overall predictability and coherence. The Chair will strive to ensure that every member partakes equally. With 48 participants, interventions will need to be strictly limited in time.

Source: Belgium, 2 June, 2010



## Annex 7

# Improving the working methods of an enlarged ASEM

### *Discussion paper*

#### **Introduction**

The first ASEM in Bangkok (1996) agreed to develop a common vision of the future, to foster political dialogue, to reinforce economic cooperation, and to promote cooperation in other areas.

The principles for this cooperation are detailed in the Asia-Europe Cooperation Framework 2000 (AECF). They have guided ASEM cooperation for fourteen years now.

In the meantime, ASEM has grown from 26 members to 47, the European Commission and the ASEAN Secretariat being fully fledged members. The diversity of subjects of interest has increased accordingly. Also, the world in which the cooperation takes place has evolved, moving priorities and confronting ASEM with new challenges.

In this context, many suggest taking a look at the working methods of ASEM. The issue is not whether the principles are still valid. They are. They have carried the cooperation all this time, and there is no indication that they have lost relevance or that ASEM members are taking distance from them. The issue rather is how to uphold the principles in the face of changed circumstances. Equality of partnership, open process, dialogue leading to cooperation and to concerted action, informality all come under threat if methods are not adjusted to the new amplitude and complexity of the tasks.

The Hanoi Recommendations for ASEM Working Methods (2004) constituted a first important step in this direction. The Helsinki Declaration on the Future of ASEM (2006) confirmed the importance of improved working methods and institutional mechanisms. Also, the following Summit in Beijing (2008) and the Foreign Ministers' Meeting in Hanoi (2009) called for this effort to be pursued, the latter with the establishment of an ad-hoc one-year ASEM 8 Coordinating Office. Indeed, more can still be done. The positive momentum must be seized to further enhance the quality of ASEM mechanisms.

## Guidelines

In the quest for more efficient cooperation among ASEM partners, the following guidelines, actually extrapolations from the principles of the AECF, appear relevant:

- *Continuity of process*: when objectives are to be reached over time, it is necessary to remain focused. The subject matter must undergo sustained attention, long enough to make a difference.
- *Transparency*: circulation of information at various steps is a necessary requirement to establish trust, provide predictability, ensure commitment and stimulate engagement.
- *Inclusiveness*: every ASEM member is an essential constituting part of the Asia-Europe relationship and therefore a necessary participant in the region-to-region cooperation.
- *Prioritization*: to confine oneself to one topic at a time would admittedly be too restrictive but to attempt to pursue all topics all the time would clearly be illusory. A balance must be striven for, implying sequencing of efforts and choices along the way.
- *Proportionality of resources*: adequacy of human, financial and other resources for the goals pursued is one of the keys to a healthy cooperation process.

## Suggestions

Taking a lead from the guidelines, the following indicate the direction in which to possibly take the existing mechanisms while reaffirming the AECF 2000 and the measures agreed since then. Detailed proposals would have to be worked out in a second stage.

### *Coordination*

Throughout the past, the spontaneous action of the 4 existing coordinators has proven an important factor in facilitating the ASEM process. A better definition of their role would smoothen the cooperation in-between Senior Official Meetings and ensure a better circulation of useful information among ASEM members. It could reinforce the structure of ASEM and bring more stability.

### *Technical Support Team*

The positive experience from the European Commission's temporary ASEM 8 Coordination Team shows that ASEM could really benefit from additional support to keep records, centralize official information and

secure information flows among ASEM members. To ensure reliability and continuity, it would appear necessary to base the Technical Support Team on an agreement among ASEM members. It could comprise two persons, financed and audited on a voluntary basis. Maximum use should be made of electronic means of communications in order to keep costs down.

### *Senior Officials' Meeting*

The Senior Officials' Meeting (SOM) is presently the choice mechanism which ensures continuity in-between summits and ministerial meetings. In order to develop its potential as a body capable of generating consensus, the number and duration of meetings could be raised. In addition, ASEM members should look at issues of structure, discipline, responsibility and transparency. Records should be held so that next steps are more clearly defined. Also, SOM should ensure that the priorities established by Leaders at their Summit meetings are respected. They should keep an overview of all activities organized under ASEM. SOMs might have to report more formally to the Ministers and to the Summit.

### *Upcoming Summit Host role*

The Upcoming Summit Host is one of the main stakeholders in the ASEM process. Having the responsibility for organizing the next Summit of ASEM Leaders, it can be relied upon to contribute attention, means and efforts to help drive the cooperation process forward. Hence the idea is being tabled to invite the Upcoming Summit Host to become a part of the coordination mechanism "from summit to summit" by right. That would not only constitute a recognition of the peculiar position in which the ASEM member concerned is placed but would also bring to the ASEM process the dynamism of a committed partner.

### *Issue-based Leadership*

Issue-based leadership was intended to be different from the launch of "one-off" activities. It should revolve around a number of co-sponsoring countries willing to drive projects and initiatives in a certain policy area with a view to produce tangible benefits for all. It holds major potential if smooth steering, coordination and management mechanisms can be defined. A fixed "summit to summit" duration could help clarify the responsibility undertaken. Issue-based leadership would benefit from more clearly articulated and consistent procedures.

### *Networks*

Electronic means of communication can serve two objectives. They can ensure the visibility and accessibility of ASEM for the general public. They can also constitute a tool for the exchange of internal, non-public documents among ASEM members. Technically, the ASEM Infoboard can be designed in such a way as to meet the two objectives. The information destined for the public would be available as before, though it could be expanded and rendered more dynamic, while a confidential log-in would give access to a secure sharepoint/intranet component, accessible only to ASEM officials and contact points. The Technical Support Team would be entrusted with the task of maintaining the system.

### *Relationship with ASEF*

Since its inception, the Asia-Europe Foundation (ASEF) has played an invaluable role in implementing ASEM's priority to expand people-to-people exchanges between Asia and Europe. The work of ASEF represents a major contribution to the visibility of ASEM among the wider public. This focus should be preserved. A look should be taken at how to ensure the financial sustainability of ASEF.

### *Involvement of AExx partners*

The people to people contacts are an integral part of the ASEM process. The Asia-Europe Business Forum (AEBF), the Asia-Europe People's Forum (AEPF) and the Asia-Europe Parliamentary Partnership (AEPP), in short AExx, are recognized as important contributors to objectives laid out by the ASEM Leaders at the outset. Good practices of political contacts with the AExx partners ahead of relevant Senior official, Ministerial and Summit meetings could be devised to create a more sustained and visible connection between the intergovernmental process.

### **Procedural remark**

In order to achieve concrete progress on these issues, the Leaders at the ASEM8 Summit, October 4<sup>th</sup> and 5<sup>th</sup>, 2010, in Brussels could possibly approve conclusions on the working methods of ASEM. These conclusions could:

- contain concrete decisions of the kind suggested here,
- contain a tasking to the Senior Officials to work out and endorse more detailed proposals addressing the issues raised here,

- invite the Ministers to take the appropriate decisions upon proposal of the Senior Officials.

They could also combine these different approaches.

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