

## Loughborough University Institutional Repository

---

# *The evolution of cooperation between the European community and East Asia*

This item was submitted to Loughborough University's Institutional Repository by the/an author.

### **Additional Information:**

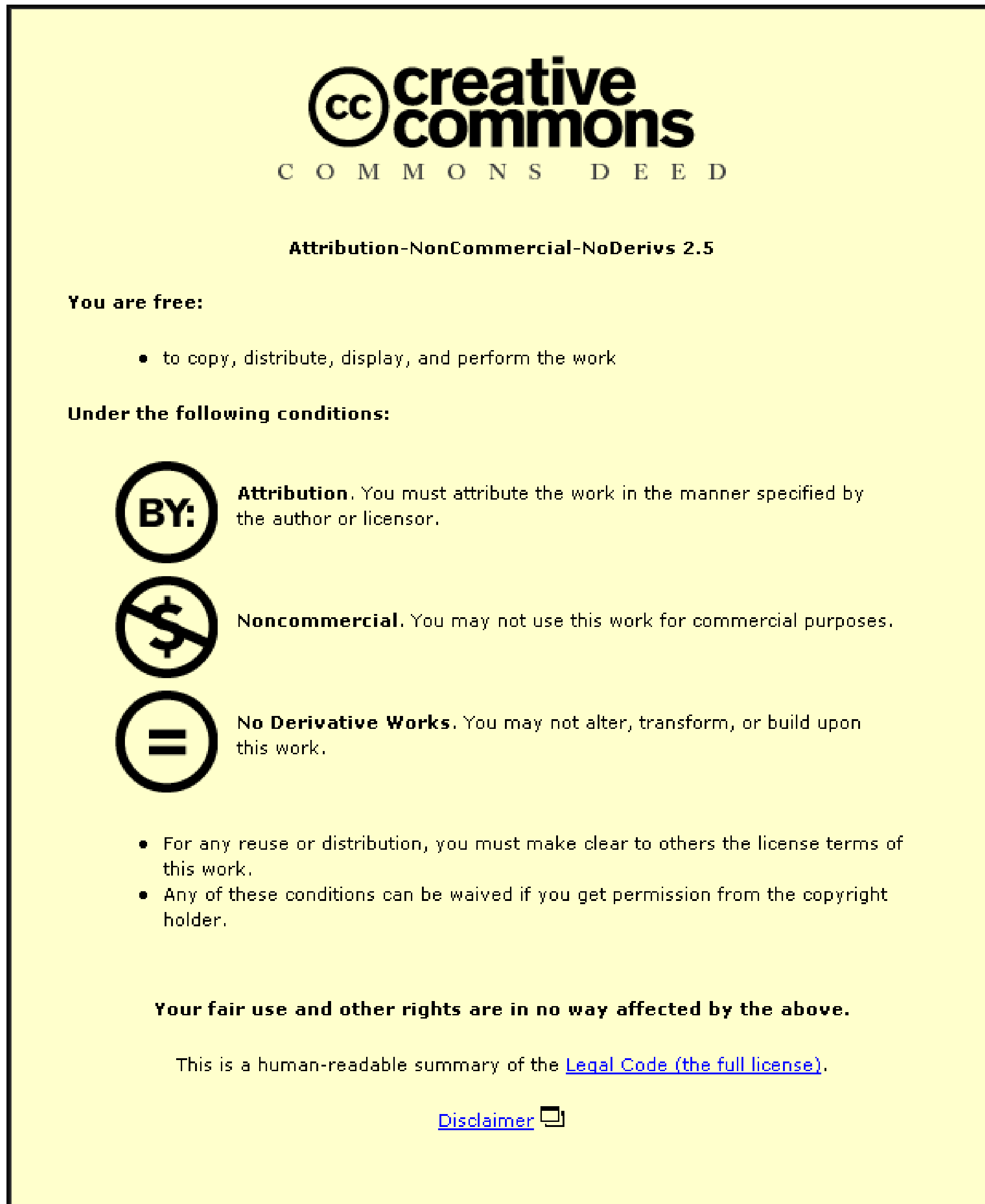
- A Doctoral Thesis. Submitted in partial fulfillment of the requirements for the award of Doctor of Philosophy of Loughborough University.

**Metadata Record:** <https://dspace.lboro.ac.uk/2134/8113>

**Publisher:** © Natee Vichitsorasatra

Please cite the published version.

This item is held in Loughborough University's Institutional Repository (<https://dspace.lboro.ac.uk/>) and was harvested from the British Library's EThOS service (<http://www.ethos.bl.uk/>). It is made available under the following Creative Commons Licence conditions.



For the full text of this licence, please go to:  
<http://creativecommons.org/licenses/by-nc-nd/2.5/>

***The Evolution of Cooperation between the European  
Community and East Asia***

by

Natee Vichitsorasatra

Doctoral Thesis

Submitted in partial fulfilment of the requirements

for the award of

Doctor of Philosophy of Loughborough University

28<sup>th</sup> September 2007

# **TEXT BOUND INTO THE SPINE**



## *Abstract*

This thesis focuses on the problem of cooperation within the international political economy, with special reference to the European Union's relations with key partners in East Asia. In pursuing this focus, the thesis probes a number of central issues in international cooperation, which thus far have not been applied in detail to inter-regional cooperation. In particular, the argument focuses on the reasons for cooperation and defection, the balance between material interests, institutions and ideas in shaping cooperation, and the shifting balance between bilateral and multilateral modes of cooperation.

This research makes use of three bodies of conceptual literature related to IPE and interregionalism. It firstly makes use of existing thoughts on cooperation inherent in modern IPE theory, especially with regard to neorealism, neoliberal institutionalism, and social constructivism, to analyse the balance between bilateralism and multilateralism as well as between material interest, institutions and ideas. Secondly, Robert Axelrod's findings concerning the 'evolution of cooperation' are integrated into the work, making use of ideas which support as well as clarify various means of understanding the global political economy already presented by IPE theories. Thirdly, in the respective chapters, comparisons are drawn between IPE's propositions on cooperation and Axelrod's notions of cooperation in relation to literature on regionalism and interregionalism. These insights are finally combined to set the foundations for a set of questions and propositions on interregional cooperation.

These questions and propositions are subsequently analysed through four empirical cases focused on the European Community's political-economic relationship with East Asia. The bilateral cases are observed through a material, institutional, and ideational analysis of the EC's interregional relationships with Japan, the Republic of Korea, and the People's Republic of China. A similar analysis focusing on the multilateral dimension is conducted with the EC's interregional relationship with East Asia as seen through the Asia Europe Meeting (ASEM). The observations in both cases include an analysis of trade, institutional development, and the EC's strategic documents. These observations are designed to draw out comparisons of how an evolution of cooperation occurs based on primary values and interests, cooperative modes, the development of accepted codes of conduct, and progressive institutionalisation. It is argued that this material, institutional, and ideational analysis provides insights which are not possible in a more parsimonious or dichotomous approach.

The thesis contends that the evolution of cooperation between the EC and East Asia has taken on a strongly material form and that the preferred cooperative mode has been 'active bilateralism', strongly stimulated by the predominantly important issue of trade but with some characteristics of a maturing dialogue and bilateral institutionalisation. The ASEM multilateral forum, suffering increasing indifference, can be seen as 'passive multilateralism' and strongly based on values and ideas, albeit possibly conflicting and incompatible ones.

On the basis of the evidence assembled, the empirical cases provide further insight into the initial research questions and suggest that bilateral interregionalism in the EC-East Asia relationship is more grounded in material interests while multilateral interregionalism as seen in ASEM is based more strongly on ideas and values. The research also confirms the coexistence and confluence between bilateralism and multilateralism, the binding role of institutions, the importance of policy areas, and acknowledges the possible effect that a combination of endogenous and exogenous factors may have on the evolution of interregional cooperation.

# Table of Contents

**Abstract .....I**  
**Table of Contents..... II**  
**Table of Abbreviations .....IV**  
**Tables and Figures..... V**  
    Tables..... V  
    Figures ..... V  
**Acknowledgements ..... VI**

**Chapter 1**  
**Introduction.....- 1 -**  
    Understanding Interregional Cooperation in IPE .....- 3 -  
    Exploring Regionalism and Interregionalism.....- 5 -  
    Structure and Methodology .....- 10 -  
    IPE Theory and Cooperation.....- 14 -  
    EC-East Asian Bilateral and Multilateral Regionalism.....- 20 -  
    Active Bilateralism, Passive Multilateralism, and Revisiting IPE Propositions on Cooperation.....- 23 -

**Chapter 2**  
**IPE Theory and Cooperation.....- 25 -**  
    IPE Theory: Central Problematics of Neorealism, Neoliberal, and Social Constructivism .....- 27 -  
        Neorealism.....- 31 -  
        Neoliberal Institutionalism .....- 33 -  
        Social Constructivism.....- 36 -  
        Ideas versus Structures in IPE Theory .....- 38 -  
    Understanding Cooperation through Convergence of IPE Theories .....- 40 -  
    Exploring Cooperation .....- 45 -  
    IPE Theories and the Implications for Interregional Cooperation.....- 50 -

**Chapter 3**  
**Axelrod, Cooperation, and Interregionalism .....- 54 -**  
    Axelrod’s Understanding of Cooperation .....- 56 -  
    Two-Player Games and Materialism in Axelrod’s Evolution .....- 57 -  
    N-Player Game, Codes of Conducts, Norms, and Values in Axelrod’s Evolution .....- 61 -  
    Axelrod’s Ideas on Cooperation and Traditional IPE Theories.....- 67 -  
    Cooperation or Defection – A Puzzle for IPE.....- 70 -  
    Conceptual Problematics Arising from Theory and Empirical Framework.....- 72 -

**Chapter 4**  
**Exploring the EC’s Interregional Cooperation with East Asia .....- 81 -**  
    The EC as a Global Actor.....- 81 -  
    The EC as an Interregional Actor.....- 88 -  
    East Asia’s Bilateral and Multilateral Partnership with the EC .....- 91 -  
    Exploring Interregional Cooperation.....- 98 -  
        Methodology and Empirical Data.....- 99 -

**Chapter 5**  
**The Evolution of Bilateral Cooperation in EC-East Asia Relations.....- 103 -**  
    Trends and Trajectories .....- 105 -  
        EU-Japan Bilateralism: From Defection to Cooperation.....- 107 -  
        EC-ROK: A Case of Constant Defection?.....- 115 -  
        EC-China: A Case of Evolving Cooperation.....- 124 -  
        Reflections on the Evolution of Bilateral Cooperation between the EC and East Asia.....- 133 -  
    Material, Institutional and Ideational Influences in Bilateral Interregionalism.....- 134 -  
    Trade and Material Interest .....- 135 -



Current Aggregate Trade Volumes.....	135 -
A Question of Trade Deficits.....	142 -
Dialogue Intensification and Institutionalisation.....	148 -
The Early Stages: Material Interest Domination and Weak Institutionalisation.....	149 -
Advanced Stages: Institutional Deepening and Generation of Ideas .....	152 -
Ideas .....	160 -
EC Strategic Documents .....	161 -
EC-East Asian Bilateral Interregionalism: Material Interests Framed by Institutions .....	171 -

## Chapter 6

<b>The Evolution of Multilateral Cooperation in EC-East Asia Relations.....</b>	<b>175 -</b>
From Bilateralism to Multilateralism in the 1990s.....	179 -
ASEM I – Drawing East Asia Into a Multilateral Framework?.....	181 -
ASEM II – Does Money Matter?.....	185 -
ASEM III – More Politics, Less Economics? .....	189 -
ASEM IV – Towards or Against Global Multilateralism? .....	190 -
ASEM V – Enlarging ASEM.....	193 -
Material, Institutional, and Ideational Influences.....	197 -
EC-East Asia Multilateral Trade: Indifference Due to Loss of Material Interest?.....	199 -
Current Aggregate Trade Volumes.....	199 -
Institutions, Policy and Policy-Making .....	205 -
ASEM's Process of Institutionalisation .....	206 -
Evaluating ASEM Institutionalisation .....	208 -
Rhetorical Analysis .....	221 -
Multilateral Interregionalism.....	230
Trends and Trajectories .....	230
The Role of Material Interest, Institutions and Ideas.....	233

## Chapter 7

<b>Conclusion .....</b>	<b>240</b>
Influencing Factors of Cooperation in EC-East Asian Partnership .....	243
Material Interest.....	244
Institutions .....	247
Ideas.....	250
Beyond Material Interest, Institutions, and Ideas: Role of Reciprocity, Commitment, and Codes of Conduct in Interregionalism.....	254
Dynamic Elements of Cooperation in the EC-East Asian partnership .....	261
Evolving Nature of Actors.....	262
Evolving GPE .....	264
Evolving Modes of Cooperation.....	267
Re-evaluating Cooperation.....	271
Coexistence of Bilateralism and Multilateralism – Obscurity and Confusion.....	271
Active Bilateralism .....	274
Passive Multilateralism.....	276
Revisiting the Key Questions and Propositions .....	278
Limitations of the Study .....	278
Further Insights to Interregional Cooperation.....	280
Bibliography.....	285
Official Documents.....	285
Secondary Documents .....	288
References.....	288
Work Consulted .....	305

## *Table of Abbreviations*

ACP	African, Caribbean and Pacific Group of States
ADD	Anti-Dumping Duties
ASEAN	Association of South East Asian Nations
ASEM	Asia-Europe Meeting
ASEP	Asia-Europe Parliamentary Partnership Meeting
APEC	Asia-Pacific Economic Cooperation
CCP	Common Commercial Policy
CEC	Commission of the European Communities
CESA	Community of European Shipyards' Associations
DRAM	Dynamic Random-Access Memory Chips
EC	European Communities
ECJ	European Court of Justice
ECU	European Currency Unit
EFTA	European Free Trade Association
EMM	ASEM Economics Ministerial Meetings
EP	European Parliament
EU	European Union
EXIM	Export-Import Bank
FDI	Foreign Direct Investment
FINDEPS	ASEM Finance Deputies Meetings
FINMM	ASEM Finance Ministerial Meetings
FMM	ASEM Foreign Ministerial Meetings
G-22	Group of 22, Willard Group
GATT	General Agreement on Tariffs and Trade
GPE	Global Political Economy
IMF	International Monetary Fund
IPAP	Investment Promotion Action Plan
IPE	International Political Economy
IPR	Intellectual Property Rights
MERCOSUR	Southern Common Market
OECD	Organisation for Economic Co-operation and Development
ROK	Republic of Korea
SEM	Single European Market
SEZ	Special Economic Zone
SME	Small and Medium Sized Enterprises
SOM	ASEM Senior Officials Meeting
SOMTI	ASEM Senior Officials' Meeting on Trade and Investment
TBR	Trade Barrier Regulations
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UN	United Nations
WTO	World Trade Organization

## Tables and Figures

### Tables

Table 1: Key Questions to be Investigated on the Conduct of Interregional Cooperation.....	- 19 -
Table 2: IPE Theory – Extensive areas of overlap?.....	- 41 -
Table 3: Linking Questions between IPE Theories and Regionalism/Interregionalism .....	- 53 -
Table 4: The Prisoner's Dilemma (Axelrod 1984:8) .....	- 57 -
Table 5: The Four Dimensions of Axelrod's Principles of Cooperation .....	- 68 -
Table 6: Axelrod and IPE's Factors for Cooperation .....	- 69 -
Table 7: Axelrod and IPE's problematics.....	- 70 -
Table 8: Key Questions and Propositions to be Further Explored.....	- 77 -
Table 9: Axelrod and Interregionalism .....	- 80 -
Table 10: Differences between Parsimonious and Combined Approach.....	- 100 -
Table 11: Trends and Triangulation in EC-East Asian Bilateral Cooperation.....	- 105 -
Table 12: EC-Japan Evolution of Cooperation .....	- 114 -
Table 13: EC-ROK Evolution of Cooperation.....	- 124 -
Table 14: EC-China Evolution of Cooperation.....	- 132 -
Table 15: EC Trade main partners 2004 (Eurostat) .....	- 137 -
Table 16: Key Historical Junctures and Trade.....	- 147 -
Table 17: EC/EU Strategic Documents .....	- 162 -
Table 18: Insights Provided by EC-East Asian Bilateral Relationship.....	- 174 -
Table 19: Trends and Triangulation in EC-East Asian Multilateral Cooperation.....	- 178 -
Table 20: Initial Motives and Expectations for EC-East Asian multilateral cooperation as seen in ASEM.....	- 184 -
Table 21: Agreed Key Characteristics of the ASEM Process .....	- 185 -
Table 22: EC-East Asia Multilateral Evolution of Cooperation .....	- 196 -
Table 23: EC Exports and Imports (million euro) - Helsinki 2006.....	- 204 -
Table 24: Frequency of ASEM meetings (compiled by author) .....	- 210 -
Table 25: Key themes in multilateral strategic documents .....	- 229 -
Table 26: Insights Provided by EC-East Asian Multilateral Relationship.....	-237-

### Figures

Figure 1: Wendt's Classification of International Theories.....	- 39 -
Figure 2: Varying degrees of cooperation according to modes and interests (darker areas in the box mean more cooperation).....	- 75 -
Figure 3: Level of Institutionalisation (darker areas in the box mean more cooperation) .....	- 76 -
Figure 4: Determinants of Cooperation (darker areas mean suggest more cooperation).....	- 78 -
Figure 5: Comparing Japan and China's Aggregate Trade with the EC (compiled from Eurostat) ....	- 138 -
Figure 6: Aggregate Trade with EC – ROK: Not Taking Off? (compiled from Eurostat).....	- 139 -
Figure 7: The ROK and China Aggregate Trade with the EC Compared: Same Aggregates, Different Treatment? (compiled from Eurostat).....	- 140 -
Figure 8: Korea and China's trade surplus with the EC compared (compiled from Eurostat) .....	- 143 -
Figure 9: Japan's surplus with the EC (compiled from Eurostat).....	- 145 -
Figure 10: EC's Bilateral Trade Deficit with East Asia (compiled from Eurostat) .....	- 145 -
Figure 11: EC Total Trade in Goods with ASEM (million Euro) - Eurostat 2005 .....	- 200 -
Figure 12: EC trade balance with ASEM in Mio Ecu (compiled from Eurostat) .....	- 201 -
Figure 13: EC Bilateral Trade Deficit Against East Asia (compiled from Eurostat).....	- 202 -



# Acknowledgements

Conducting a research like this is a severe lesson in humility. It is only upon writing this acknowledgement that the events of the past few years appear to have sunk in. It has been an unpredictable journey, filled with unexpected twists, and challenges I never thought I would be the one to face. Without the following souls, I either would not have embarked on the journey or this thesis never would have been completed.

I am grateful for my dear father, mother, and sister whom I love dearly, but rarely tell them. They exemplify the hard-working and honest attitude of Thai people, who made this thesis possible. I am deeply grateful to all Thais for labouring on with a smile on their faces despite all the difficulties in their lives, and whose hard-earned money funded this PhD. I thank the selection committee arranged by the Thai Ministry of Foreign Affairs and the Office of Civil Service Commission for recognising someone who will never forget that it was hard-working Thais who so generously allowed me to widen my horizons.

I would like to express my deepest gratitude to Professor Michael H. Smith for being the supervisor many PhD students can only dream of having. Despite his global academic reputation and heavy workload, he always found time to read this thesis over and over again. Any remaining shortcomings are mine alone. If I can ever be as dedicated in serving my country as Mike is in his duties, I would consider it a great achievement.

I also thank David Allen, who convinced me to come to Loughborough University in the first place and reminded me how important good supervision was. Valerie Boyle, I will never forget how you showed me the beauty of English grace, and for always brightening the dark, early mornings with your cheery greetings. Lesley Davis and the subwarden team, the experience at Elvyn Richards Hall was an unforgettable gift, and I hope to return the favour some day. Matthew McCulloch and Kerry Somerset, I will always appreciate your sagely advice and warnings at the various stages of my PhD.

I express my heartfelt gratitude to Unyanee Mooksombud, who stood by me, supported me with an optimistic outlook, and helped me to develop into a better person. Ant, you truly are the wind beneath my wings.

Finally, I am thankful to my external and internal examiners, Alex Warleigh-Lack and Brian Hocking, respectively, for the rigorous examination they provided for this thesis. They have certainly not failed in reminding me of the delicate intricacies of academic research and debate.

To everyone mentioned here, thank you for accompanying me on this most dazzling of journeys. I am indebted to you all for life. And I remain humbled for an eternity.

# Chapter 1

## Introduction

Towards the end of the 1970s during the climax of trade imbalances, despite numerous attempts on the part of the Japanese to appease the Europeans, trade conflict escalated and became what is now known as the two trade wars between Europe and Japan. In 2004, the Chinese trade surplus with the European Communities (EC)<sup>1</sup> member states stands at an unprecedented Ecu79 billion and shows no sign of slowing down. Ironically, the EC-China partnership is in constant and civilized dialogue with neither side showing intentions of taking drastic action against each other. After two decades and a half, the EC has now decided to take sharply contrasting action in the face of what, at their respective times, are considered sharp and unprecedented trade deficits. In the meantime, the EC has had an unremarkable relationship with the ROK, marked by a number of steady conflicts, but rarely of a ground-breaking nature.

The global political economy has changed significantly since the 1970s, and alongside this, this thesis argues that there appears to be an evolution of cooperation between actors. An evolution has occurred not only in the process of socialisation and dialogue between trading partners, but also in the development of institutions. It is perhaps unfair to compare an event occurring towards the 1980s to a situation occurring in the 21st century. An assumption could be made that if the EC and Japan were to chance another series of trade conflicts again in the 21st century, the consequences may turn out differently.

Indications suggest that there has been such an evolution of cooperation of sorts emerging in the EC-East Asian interregional context. Numerous dialogue and negotiations resulted in the 1991 Hague Declaration between the Europeans and the Japanese, which today continues to be the only bilateral framework agreement and a loose constitution of sorts

---

<sup>1</sup> This thesis is focused on the European Communities (EC), or the first pillar of the European Union which deals with economic, social, and environmental policies. Any instances when the analysis extends to the Common Foreign and Security Policy (CFSP) or Police and Judicial Cooperation in Criminal Matters (PJCC), this thesis will refer to the EC member states or the EC.

determining their relationship. While the Japanese continue to enjoy a healthy trade surplus with the EC, this partnership has remained stable for quite some time. China, apart from a few relatively minor trade issues with the EC, has enjoyed a trading relationship without incident ever since their partnership with West Europe was first conceived during the 1954 Geneva Convention. The Republic of Korea, on the other hand, appears to have had a turbulent relationship with the Europeans marked with a number of issues being taken to the World Trade Organization, despite the fact that the Korean trade surplus is considered to be lower than the Chinese and the Japanese, respectively.

Apart from the bilateral efforts, the global political economy has also seen the evolution of multilateral efforts which have become increasingly relevant in the 1990s. Take on the multilateral aspect of the EC-East Asian relationship, and the evolution of cooperation is equally unpredictable. The Asia-Europe Meeting (ASEM) was launched with much fanfare in 1996 with the Bangkok Declaration, only to have the enthusiasm dampened by the 1997 Asian Economic Crisis. The second ASEM summit held in London showed far less promise than the first, particularly with effective means for Europe to help Asia out of the crisis (Schmit, 1999:5). By the third summit, only four years from the launching party, members were talking about means to battle the forum fatigue and means to make the dialogue more effective (Commission 2000:2). Ever since, ASEM has been plagued by indifference, disappointment, and disillusionment. Ever since the third summit, partners have been looking into various means to stimulate a process which has been considered by many critics to have stagnated.

Since the 1990s and the beginning of the EC's pursuit of multilateral strategies with Asia, the EC-East Asian relationship has also seen the coexistence of bilateral and multilateral cooperation. The last decade has witnessed the proliferation of bilateral framework agreements which exist in conjunction with the ASEM process. This appears to contradict the EC's proclamations on the importance of multilateralism, both through the ASEM framework and global multilateral institutions such as the WTO. The coexistence of bilateralism and multilateralism clearly points towards



increased flexibility in the EC's choice of strategy, but is also a source of confusion for its external partners.

### *Understanding Interregional Cooperation in IPE*

The foregoing example of the unevenness in the reactions and strategies of the EC with its East Asian partners provides a two-fold puzzle. Firstly, it provides a puzzle concerning the nature of cooperation. The EC's different reactions towards each of its East Asian partners pose some important questions concerning how cooperation takes place, under which conditions, and in which forms. Similarly, the different trajectories the relationships take on, ranging from what can be perceived as a very advanced relationship between the EC and Japan, to a growing one with the ROK, and a fledgling relationship with China introduce additional complexity to the cooperation equation. For years, the field of international relations and international political economy have been taking on the challenge of explaining why cooperation, or the lack of it, in the global political economy has taken on its present forms. How the EC's actions *vis-à-vis* its partners have unfolded and evolved over time are expected to boil down to choices which are influenced by its own expectations of what they want the partnerships to yield. International Political Economy (IPE) theories have a number of answers to these questions, and these will be explored in greater detail in this thesis.

The second part of the puzzle concerns the nature of interregionalism and the manner in which the EC's interaction with its East Asian partners has evolved. There appears to be some inconsistency in the manner in which the EC has treated each of its interregional relations. Apart from the inconsistent treatment of each of its partners, the EC also appears to be making use of both bilateral and multilateral strategies in its interregional partnership with East Asia. Literature on regionalism offers some insights into the puzzle of the EC's nature as an interregional actor. Coupled with IPE literature on cooperation, this thesis examines the puzzle of how and why the EC takes on the interregional choices it does with its individual East Asian partners.

The main focus of this thesis is on the nature of cooperation, why actors cooperate, under which conditions, and in which forms. Cooperation is considered to take place when “actors adjust their behaviour to the actual or anticipated preferences of others, through a process of policy coordination” (Keohane 1984: 51-52). This general description of cooperation has appeared to become the accepted definition, with policy coordination implying that state policies have been adjusted so that undesirable outcomes for other states they are engaged with are decreased (Milner 1997: 7). Another perspective on cooperation that this thesis takes into account is that cooperation is considered to have been maximised when the actors involved agree to take on the direction with the most mutually beneficial outcomes (Axelrod 1984). Given these perspectives, in this thesis, cooperation is considered to take place when actors in partnership either consciously or unconsciously adjust policy coordination to maximise mutually beneficial outcomes while minimising undesirable outcomes.

The objective of this research is to understand how cooperation evolves, to propose an analytical framework for this evolution of cooperation, and to test the framework through a series of case studies on the EC-East Asian interregional relationship. In order to accomplish this, the thesis first takes into account the ongoing debates in IPE theory and extracts the notions of cooperation inherent within the relevant schools of thought. The research then builds on these notions of cooperation by drawing on the research on the evolution of cooperation by Robert Axelrod and constructing an analytical framework in order to more fully understand the nature of cooperation.

This thesis explores the idea that cooperation fluctuates between bilateral and multilateral forms depending on the material, ideational, and institutional influences inherent in a certain international political economy relationship. The balance between bilateralism and multilateralism, as well as the shifting weight between the material, ideational, and institutional influences in a relationship will affect the nature of cooperation, the reasons they cooperate, as well as under which conditions actors decide to cooperate under.

## *Exploring Regionalism and Interregionalism*

Regionalism and interregionalism is a critical part of this research due to the manner in which they help to provide an empirical foundation for further exploration of the conditions for cooperation, the motives for cooperation, and the different forms it takes on. In the context of EC-East Asian interregional cooperation, these are key questions which need to be examined in detail to gain an understanding on how cooperation works and how it evolves. By studying the conditions, motives, and forms in which cooperation takes on, one can gain a better understanding of the EC-East Asian partnership. An enhanced understanding of the EC-East Asian interregional relations in turn provides a further insight into how cooperation operates within the GPE.

There is no question that regionalism has proliferated in the past decade, witnessed by the increasing number of PTAs, both regional and interregional. East Asia is considered to be where the third wave of regionalism is taking place, stimulated by the disillusionment caused by the 1997 Asian Economic Crisis (Pomfret 2007: 924). Notably, the first wave of regionalism came with the creation of the European Community and the European Free Trade Area (Panagariya 1999:480). One of the reasons for these 'waves' of regionalism is the desire to cooperate more strongly with regional partners. In cases such as the European integration project, mutual interests and ideas as well as institutions have been a factor in its success. This is less true for Asia's experience in regionalism where the participating countries are more diverse where interest and ideas are far more difficult to reconcile.

Regionalism on its own is considered to be an 'elusive concept', where it is still inconclusive whether it involves geographic proximity and the relationship between economic flows and policy choices or non-geographic criteria (Mansfield and Milner 1999:590-591). As Soderbaum and van Langenhove note, 'there is still no consensus on the main concepts in the study of regionalism, and there is even greater disagreement in the conceptualisation of interregionalism' (2005:257). Whether regionalism needs to involve neighbouring countries is still a contested issue, with academics



such as Katzenstein arguing that regional 'geographic designations are not 'real', 'natural,' or 'essential', and that they are socially constructed, politically contested, and hence, open to change' (1997). Fishlow and Haggard have made the distinction between regionalization, which notes the regional concentration of economic flows and regionalism, which have been defined as a political process characterised by economic policy cooperation and coordination among countries (1992). Mansfield and Milner have noted how this links commercial regionalism directly to the creation and proliferation of preferential trade agreements (PTAs) (1999:591).

Apart from regionalism being an 'elusive' concept, the utility of its arguably most controversial product, PTAs, is also still under examination. Panagariya, for example, argues that a definite positive impact of PTAs for developing countries is difficult to determine, particularly when developing countries continue to remain undecided on what their actual preferences are (2002: 1416). There have also been criticisms concerning the discriminatory nature of PTAs (Panagariya 2002, Bhagwati 1991), although arguments towards the contrary are also equally abundant. Lamy notes, for example, how PTAs and multilateral liberalisation efforts can progress simultaneously (2002). It is also important to note that Article XXIV of GATT allows regional integration agreements on grounds that they eliminate internal trade barriers, particularly since GATT members appeared to agree that it would be difficult to prevent states from forming PTAs in any case (Mansfield and Milner 1999:613).

The question of PTAs inevitably leads to two of the most pertinent questions concerning regionalism: whether it leads to further liberalisation and if it could be used as a means to expand liberalisation in place of global multilateral efforts. As with PTAs, the arguments run both ways (Panagariya 1999). To begin with, one of the reasons parties try to enter into PTAs and the regionalism efforts in the first place is because many have lost out in the formal GATT/WTO disputes. Viewed in this manner, the developments within the GATT/WTO multilateral mechanisms have actually encouraged its members to form PTAs as a means to build bargaining leverage within the multilateral regime (Mansfield and Reinhardt 2003). Laird describes multilateral efforts to be 'dysfunctional' (particularly among nation-states which

are so politically and economically unequal) and suggests the use of regionalism as an 'intermediate way-station' (1999:150 Hettne book). Bhagwati argues that Article XXIV technically encourages parties to fully liberalise and by doing so, would become useful even for third parties not included in the PTA agreements (1991). The burden of having to commit to liberalisation under Article XXIV actually may discourage parties from forming PTAs altogether in the first place (Laird 1999:1190). Bhagwati, however, also argued that within a GPE where producers play the main role in deciding trade policies, liberalisation through PTAs could also be replaced by increased protection against third parties (1993). As a response, third parties could form rival blocs which consequently reduce the opportunities for liberalisation (Mansfield and Milner 1999:614).

Today, regionalism has been proposed to be in its third generation whereby the institutional environment to handle external regional policies is more apparent and powerful. Regions are also becoming more proactive and can involve themselves in interregional arrangements and agreements that can have an impact on partnerships at the global level (Soderbaum and Langenhove 2005: 257). Soderbaum and Langenhove note that third generation regionalism is clearly different from second generation regionalism (an example being the EU) in that third generation regionalism is focused more externally and towards shaping governments while second generation regionalism<sup>2</sup> was mainly concentrating on maximising economic and political processes (2005:257). The increasing presence of regional actors also created a demand for intermediaries which link global and regional systems (at the top end of the international system) as well as regional and national policy-making levels (at the bottom end of the international system). It is explained that the need for intermediaries at the upper end of the international system, which consists of global and regional systems, resulted in two form of interregionalism, bilateral interregionalism and transregionalism (Rüland 2001:5).

Hänggi notes how the role of interregional cooperation has often been ignored in literature on regionalism (2000), although recent literature refers to

---

<sup>2</sup> Second generation regionalism has been labelled 'new regionalism' due to its multifaceted nature and the fact that it refers to a much wider number of policies (Langenhove and Costea 2005:4)

how regionalism and interregionalism both have an effect and shape each other. While second generation regionalism is known to already contain elements of interregionalism within it, third generation regionalism is argued to be the actually stepping stones for interregionalism. Langenhove and Costea point towards third generation as containing a more suitable institutional environment for dealing with 'out of area' consequences of regional policies (2005: 12). They also point out that third generation regionalism is more proactive in engaging interregional arrangements and agreements which have an effect on partnerships at a global level. Finally, it is argued that third generation regionalism is more actively engaged at the UN (Langenhove and Costea 2005:13).

Gilson's observation of ASEM reveals how interregionalism actually strengthens regionalism when those involved in an interregional process gain a regional identity which may not have been present before (2005: 309). In the East Asians' cooperation process with the EU in the ASEM meetings, Gilson explains how they had to invent an 'Asianness' to strengthen its position opposite the EU (2005:309). Scholte, for example, explains how interregionalism is actually a process whereby the partners come to recognise themselves as individual regions (1996:70). As a result interregionalism could be used both as a tool for managing different and distinct relations for as a way to define concepts of region.

There have also been calls for interregionalism to be analysed in its own right and not only within the framework in which regionalism offers. This would, Soderbaum *et al.* argues, allow for research on how regionalism and interregionalism relate and impact on one another (2005: 378). They continue to explain how interregionalism has an effect on both bilateralism and multilateralism, with interregionalism becoming an alternative to classical Westphalian multilateralism. In the meantime bilateralism and interregionalism could either compete, or exist side by side while actually mutually reinforcing each other (Soderbaum *et al.* 2005:379).

This interpretation of the close link between regionalism and interregionalism has been further expanded in other scholarly analysis as well. Doidge explains how interregionalism is not only related to international functions, but that it also contains a specific set of functions related to global



governance which are influenced in their performance by the regional actors within the process (2007: 244). Regional and interregional are 'joined at the hip' because when different regional actors meet, interregionalism affects regionalism, while interregionalism is itself shaped by the 'constellation of regionalisms/regional actors it involves (Doidge 2007:255).

Regionalism and interregionalism suggest a set of questions concerning cooperation which are appropriate for examination under the context of IPE theory. As noted earlier, the core focus of this thesis is on the nature of cooperation, why actors cooperate and in what forms. Regionalism, specifically interregionalism in the context of the EC-East Asian partnership, provides some clear guiding questions, both theoretical and empirical, on how to begin observing the nature of cooperation. Literature on regionalism has incorporated some of the most pertinent questions and areas of primary focus concerning cooperation within the GPE.

To reiterate, present literature indicates that regionalism occurs due to the lack of viable and effective mechanisms and institutions for liberalisation (Laird 1999:150). WTO mechanisms, for example, have proven to be premature as a means of proliferating trade liberalisation (Mansfield and Reinhardt 2003). The literature on regionalism also provides evidence that actors are motivated to maximise their opportunities to increase trade with preferred actors (Mansfield and Milner 1999, Panagariya 1999). In addition, the literature also makes note of the forms of cooperation and how they can take on different manifestations, ranging from bilateral to regional and global efforts (Aggarwal and Fogarty 2004). In other words, regionalism appears to incorporate some of the reasons actors choose to cooperate, how cooperation takes places, and in which forms.

Regionalism, interregionalism, and their relevance to IPE theory as well as some of the central questions concerning cooperation are explored extensively in this thesis. The conceptual chapters to this thesis link our understanding of theory to regionalism and interregionalism and argue that the central questions being asked in IPE are the same ones being asked in literature on regionalism and interregionalism. The empirical chapters make specific use of the EC-East Asian interregional partnership to gain further

insights into some of the central questions and propositions and enhance our understanding of cooperation.

## *Structure and Methodology*

In order to explore the key questions within this research project (the nature of cooperation, why actors cooperate, and in what forms), the thesis is divided into five substantive chapters. Chapters 2 to 4 first lay out the theoretical basis for analysis of cooperation, particularly within an interregional context, and provide a set of propositions on how cooperation may work within the GPE. Chapters 5 and 6 subsequently 'test' the propositions within the context of EC-East Asian interregionalism. The Conclusion revisits the propositions made on cooperation, provides further discussion on the puzzle of international cooperation, and examines the limitations of the study as well as its general applicability to other cases of interregional and international cooperation.

Chapter 2 first studies propositions on cooperation inherent in IPE theory. It first makes an argument against monocausal arguments and parsimonies and proposes that cooperation is better understood through eclectic and 'rich' approaches. Drawing on neorealism and neomercantilism, liberal institutionalism, and social constructivism, the Chapter analyses how material interest, institutions, and ideas are important in cooperation within the global political economy (GPE). Chapter 3 brings forward the propositions on cooperation taken from IPE theory made in Chapter 2, and makes use of Axelrod's work on cooperation to develop further insights into cooperation. This Chapter makes links between the balance in the 'form' of the cooperation process, bilateralism and multilateralism, and the balance in the 'influences' of the cooperation process, material interest, ideas, and institutions.

Chapters 2 and 3 work together to set up the background to understanding cooperation within the context of regionalism and raises a set of questions and propositions which are consequently analysed in the latter empirical chapters. The thesis provides insights into the questions raised by IPE and cooperation through the use of bilateral and multilateral case studies of the EC's relationship with Japan, the Republic of Korea and China. A brief



history is first introduced on each of the case studies in order to provide a context to the respective relationships as well as to explore the global political economy environment the relationships evolved in. The EC-East Asian relationships are later analysed in more detail, specifically from an EC point of view, through the use of trade data, an institutional analysis and a rhetorical analysis. This series of analysis additionally act as a test of the analytical framework and specifically extracts the quality of the relationship and the nature of cooperation.

Chapter 4 justifies the analysis of the EC-East Asian interregional partnership as a 'test' of the key propositions and questions in cooperation set up previously in the Chapter. This is done by explaining the role of the EC, firstly as a global actor, and subsequently as an interregional actor. It is argued that the EC is capable of acting as a unified global actor, particularly in issues of trade, with a unique and complicated mechanism for policy-making. In its interregional interactions, the section argues that as an interregional actor, explanations abound on how the EC has a mixture of motivations ranging from material, institutional, to ideational. Chapter 4 consequently justifies the selection of East Asia as an EC interregional partner as a suitable test for the analysis of international cooperation. It is explained how the 'uniqueness' of the partnership, namely the predominantly commercial interaction, the short history of the partnership, and the East Asian partners' tendency towards protectionism, helps to generate a number of insights which are important in understanding interregional cooperation. In the last section, Chapter 4 expands on, clarifies and justifies the methodology and triangulation process used in providing further insight to interregional cooperation.

Chapter 5 undertakes an examination of bilateral interregional cooperation between the EC and East Asia through use of vertical and horizontal approaches. It first makes an examination of the vertical dimension of the EC-East Asian bilateral partnership, a process which analyses the EC's interaction with each of its East Asian partners individually. The examination of the vertical dimension focuses mainly on endogenous and exogenous effects on the relationship, the fluctuation in cooperation, and the pattern for interaction and cooperation in the partnership. The horizontal dimension

subsequently uses a triangulation of EC-East Asia trade statistics, analysis of institutional development and dialogue intensification, and a rhetorical analysis of EC-East Asia strategic documents to gain further insights into the evolution of interregional cooperation. Consequently, the Chapter draws out the material, institutional, and ideational influences from trade data, institutional and dialogue development, and strategic documents to see how EC-East Asian bilateral interregionalism can be used to gain further insights into interregional cooperation by looking across the three bilateral relationships. Chapter 6 mirrors the structure and logical reasoning of Chapter 5, but observes the EC-East Asian relationship from the multilateral context of the Asia-Europe Meeting (ASEM). From this perspective, the research is able to examine the interregional partnership from a multilateral perspective and compares and contrasts it with the bilateral perspective in Chapter 5.

The Conclusion links the empirical findings back to the initial questions and propositions and makes an in depth analysis of the initial research question on the nature of interregional cooperation in EC-East Asia, why the partners cooperate, under which conditions, and in which forms. This Chapter makes proposals on the links between bilateralism and multilateralism as well as re-emphasising the relevance of material interest, ideas, and institutions in the balance between bilateralism and multilateralism. Finally, the Conclusion re-evaluates the questions and propositions made in chapters 2 and 3, acknowledge a number of limitations to the study, and proposes further research questions.

This thesis makes use of data generated from secondary literature for the history of interaction between the EC and East Asia. The secondary literature was indispensable for this thesis for several reasons. Firstly, it provided the highlights for the EC-East Asian partnership as well as the trends and trajectories. Secondly, it documented the evidence bilateral and multilateral institutionalisation of the respect partnerships. Thirdly, the various examples in the secondary literature of the historical highlights provided an insight into the issue of codes of conduct, trust, and familiarity between the partners.

Primary sources, mainly trade statistics and original EC strategic documents, were used in Chapters 5 and 6 as a means to observe how

cooperation is being conducted. Trade statistics, particularly focused on aggregate trade and trade imbalances from 1958 to 2005, were collected to observe patterns in trade. These statistics were subsequently analysed in conjunction with the historical highlights and used to analyse how material interests have been relevant in the EC-East Asian partnership. The EC was expected to have 'evolved' due to material interests at various stages of its partnership with East Asia, and the collected trade statistics are core to how this evolution has occurred.

Strategic documents generated by the EC are a useful indicator of how the EC perceived the direction of its partnerships. In this thesis, all key bilateral and multilateral strategic documents between 1977 and 2006 were analysed to gauge how much importance the EC placed on ideas, as well as to see whether a combination of other EC priorities were present within the documents. These key strategic documents are considered to be the guidebook to how the EC cooperates with its partners, so a thorough examination of the statements made within these documents are expected to shed some significant insights into the EC's interregional cooperation with East Asia.

These primary and secondary sources are by no means conclusive, but used together, they generate significant data to provide some preliminary answers to how cooperation has taken place, particularly with the context of the EC-East Asia interregional partnership. Combined, these sources are also critical in extracting the material interests, institutional influences, and ideational values inherent within the interregional partnership. This methodology allows us to avoid the inclusions and exclusions present in IPE theory and literature on interregionalism by objectively noting some of the most influential criterion in the evolution of cooperation. The discussion of methodology particularly related to the use of IPE theory to understand cooperation and on the manner in which regionalism and interregionalism can be used to explore cooperation, are continued in the next two sections.



## *IPE Theory and Cooperation*

In this research, the nature of cooperation is extracted from rational choice theories, liberal institutionalism, and social constructivism which are considered to be inherently very different, but often overlapping, explanations to similar phenomena. A definitive formula to understanding cooperation, quite understandably, is far from having been discovered. One of the reasons for this is the manner in which social scientists need to carry out their research in an uncontrolled experimental environment, meaning that most research is subject to the prevailing “attitudes, beliefs, and interpretations” under a specific period time and context (Harrison 2001:4). Robert Cox has indeed become famous among students of IPE in his assertion that “theory is always for someone and for some purpose” (Underhill 1994: 22). In other words, “theories of IPE are rooted in personal preferences, prejudices, and experience.” (Strange 1994:6). Theories of IPE have often been viewed as “competing and mutually exclusive, even irreconcilable, ideologies” (Underhill 1993:21), meaning that to every theory, there is almost inevitably an equal and opposite theory. These propositions confirm that value judgements and preferences are inserted consciously or subconsciously into IPE theories. These value judgements and preferences play a part in creating parsimonies as well as dichotomies in analysis.

This thesis is not an attempt to synthesise IPE theories, but rather to understand the various notions of cooperation presented in modern IPE theory. The parsimony, value judgements and policy preferences inherent in the IPE theories are taken into consideration to further understand the nature of cooperation, reasons for cooperation, conditions for cooperation, and the forms cooperation takes on.

The parsimony of theory potentially presents a problem in analysing cooperation since a single phenomenon could be explained in a dozen different ways. Ultimately, most explanations are far from conclusive, and in fact, most explanations in IPE admit to benefiting from insights developed from other theories. As a result, a convergence of theories has continually developed within IPE, resulting in developments prefixed with the “neos”

which are clear indications of how each of the major IPE thoughts have found shortcomings within their propositions and developed accordingly to fit in ideas originally emanating from theories which they usually contradicted. The realist school of thought, for example, has taken note of the importance of institutions, even when it first completely rejected the role of institutions within the global political economy (Glaser 2003:403). Instead of serving merely as “theoretical lens” (Wendt, 1999), a “liberal constructivist” direction has also developed for a “constructivist interpretation of liberal theory” which puts an emphasis on how ideas and communication are important when they are more compatible with present domestic values and institutions (Moravscik 1997: 540). Similarly, there have been calls for the synthesis of neorealism with neoliberalism (Thies 2004: 162).

Chapter 2, the first substantial Chapter, analyses the debates going on concerning cooperation in the GPE between the neorealist, neoliberalist, and social constructivism. Though the concepts may initially appear daunting and so different that they appear irreconcilable, some major themes clearly emerge when one analyses cooperation between actors within the GPE. The first theme is an apparent balance between material and ideational interest. In suggestions derived from current IPE literature, actors appear to alternate between the opportunities for tangible and reciprocal returns found in trade and investment (Gilpin 2001: 38, Ruggie 1992:11) and the less tangible alternative of winning over other states in terms of “ideas” manifested in free trade, good governance and human rights (Forster 2000, Tsoukalis 1997, Manners 2002). While the questions linger on for whether actors are ever free to make a rational choice and whether states are indeed the main actor in decision-making, this thesis further examines whether a balance is continually being struck and re-struck between material and ideational dimensions of cooperation.

The second theme which this research extracts from literature on IPE theory is the balance in the forms of cooperation and how actors may decide to shape the cooperation process, possibly to maximise efficiency or to maximise one's own interests. One of the ways to look at this is to distinguish between the two prevalent modes of cooperation present in the GPE, the bilateral and multilateral modes of cooperation. IPE literature makes less of a

distinction between these modes of cooperation, although one might argue that the institutional elements introduced in neoliberalism make it more favourable towards multilateralism than neorealism, for example. Social constructivism, on the other hand, makes equal use of the distinction between agents and structures, consequently placing arguably similar emphasis on either mode of cooperation. A key question in this research is linked to the first theme, and examines propositions in key IPE literature on how the balance between material and ideational interest may also help to determine the bilateral and multilateral forms of cooperation, or vice versa.

The third theme in IPE theory which this research makes use of is the nature of institutions, and how institutions may shape the nature of cooperation. Neoliberal institutionalists obviously place a strong emphasis on institutions as a key structure in policy-making decisions (Keohane and Nye 1989, Jervis 1999: 44-46) while their main ideological counterpart, neorealists feel that institutions, while important, are only secondary in state choices (Waltz 2000, Glaser 2003). Social constructivists deal with institutions by considering the system of states embedded in a society of states which includes sets of values, rules, and institutions commonly accepted by states and which make it possible for the system of states to function (Ruggie 1998: 11). In any case, there is a consensus that institutions matter as a factor in cooperation and that any analysis of the GPE would be incomplete without taking the cooperation structures institutions offer into account. This thesis aims to further investigate IPE theory and the manner in which theories suggest how institutions may interact with material and ideational interests involved in cooperation, as well as help to determine the preferred mode of cooperation.

While the main theoretical strands of IPE offer some very good insights into the nature of cooperation, this research contends that most of them appear to be rather evasive about the manner in which cooperation is initiated and eventually evolves. The parsimonious nature of each of the theoretical strands, while valuable in identifying certain factors in cooperation, could also be considered too determined on seeing the GPE in a predefined manner. In other words, IPE theorists will see the world exactly the way they prefer to see



it. This subjectivity of sorts might be considered an obstacle to one's perception of exactly how cooperation functions within the GPE.

In this thesis, Robert Axelrod's work on the Evolution of Cooperation and subsequent research into the nature of cooperation is suggested as a means both to improve one's understanding of how cooperation works as well as to determine how cooperation develops over time and under different circumstances. Axelrod's initial work focused on two players involved in cooperation (1984) while his subsequent research analysed more complex environments where more than two players were involved (1997). Using computer simulations with programmed conditions, Axelrod derived a number of hypotheses about cooperation which both confirm and develop on existing knowledge on cooperation presented in IPE theory. Axelrod's conclusions from observation of simulations of the Prisoner's Dilemma game showed that rational reciprocity was highly relevant with two player games (1984: 20). In contrast, values, ideas and codes of conduct, while pertinent in two player games, were significantly more detectable in n-player games (Axelrod 2001: 7-8). This is especially true in the promotion of cooperation and collective behaviour in punishment for those who defect.

Chapter 3 makes use of Axelrod's findings and attempts to shed further light on the observation of cooperation. Unlike the methods used by IPE researchers who rely strongly on historical accounts, Axelrod's method involves computer simulations and mathematics. It is perhaps the difference in the methods used which make the similarity in the conclusions particularly striking. Conclusions found in Axelrod's work on cooperation replicate the numerous propositions made by IPE theorists. Inherent in Axelrod's proposals are notions that material interest, norms, values and codes of conduct are all elements which determine how cooperation evolves. Likewise, Axelrod's findings on the interaction between two agents in a Prisoner's Dilemma and between multiple agents in a n-player game draw some strong comparisons with how cooperation may evolve in bilateralism and multilateralism. The findings not only are close, but this thesis proposes that Axelrod's research confirms notions of cooperation found across the IPE theories this thesis focuses on, including neorealism, neoliberalism, and social constructivism.

Axelrod's findings support this research's proposal that cooperation may be best analysed by extracting notions of cooperation found in major theoretical paradigms, rather than focusing on single perspectives. This thesis takes on this key idea and Chapter 3 goes on to introduce a set of key questions and propositions. The main proposition made is that bilateral cooperation is mostly based on materialism and can be explained, to a large extent, by the Prisoner's Dilemma framework. Issues such as the relative power and status of the actors involved as well as quid pro quo action can determine how well or how poorly the bilateral cooperation process develops. In contrast, values, ideas and codes of conduct become more relevant in multilateralism than in bilateralism. This is due to a number of factors, including collective pressure on inherently uncooperative states as well as clear signs of how the accepted norms have developed at an international level.

A number of related questions and ideas can be generated and developed from this key proposition. First, we would expect institutions to constrain the ability of an actor to freely pursue its own vested interests at both the bilateral and multilateral levels. How much of an effect this may have on a partnership is a question this thesis constantly revisits. Institutions, alongside material and ideational factors, are taken as a major criterion in testing the analytical framework and analysing the EC-East Asian partnership. Secondly, this research explores the proposition that bilateralism and multilateralism can coexist, and could function both proportionally and inverse proportionally. In other words, the two modes of cooperation may either reinforce each other, or force actors to choose which mode is its preferred means to cooperate. The issue under investigation in this research is primarily under what conditions both bilateralism and multilateralism flourishes under and how their coexistence may affect the evolution of cooperation.

Thirdly, this thesis explores the manner in which the clarity or ambiguity of policy intentions in a given relationship will have a strong effect on whether states decide to cooperate or to defect. It is expected that partners will have a mix of material interest preferences, institutional constraints or capacity, and ideational preferences. The partners will have a way of signalling these preferences and the fulfilment of one or more of these preferences is



necessary for continued cooperation. These signals, are however, not always necessarily clear and the ambiguity of exactly what a partner's policy intentions are could result in the stagnation of cooperation, or even defection.

Finally, exogenous and endogenous factors are important for analysis of cooperation. One would expect fluctuations and exogenous pressure in the global political economy, or exogenous factors, to affect the immediate endogenous issues within a partnership. Trade between the EC and East Asia will be affected by the fluctuations within the global political economy. Similarly, EC-East Asian institutional development will similarly be affected by the development of global economic institutions such as the World Trade Organization as well as internal development taking place within the EC itself. One would also be able expect ideas in exclusive partnerships to change in accordance with development of global political economy ideas, values, and codes of conduct. Taking the importance of endogenous and exogenous factors into account, the research makes certain to cover both factors through a summarised historical account of the EC-East Asian bilateral and multilateral account. A more detailed investigation into endogenous factors are also conducted through a thorough investigation of material interest, institutional and dialogue development, and a rhetorical analysis of official EC strategic documents for East Asia.

**Table 1: Key Questions to be Investigated on the Conduct of Interregional Cooperation**

<b>Primary Questions</b>	Is bilateralism based more strongly on material considerations? Are values, ideas and codes of conduct more relevant in multilateralism? What is the role of institutions in this balance?
<b>Related Propositions</b>	Do institutions constrain the ability of actors to freely pursue vested interests? Can bilateralism and multilateralism coexist? How? How does clarity of policy intentions affect willingness to cooperate? How do endogenous and exogenous factors influence partnerships?

## *EC-East Asian Bilateral and Multilateral Regionalism*

There has been no lack of scholars making use of various IPE theory to analyse cooperation or defection within the GPE and this extends to the area of EC-East Asian economic partnerships. In an analysis which covered the main neoclassical theories, Dent argued that the Asian side of the negotiation often conducted relations through a state-centric method and often resorted to neomercantilist tendencies in their international economic relations (1999). Hamilton-Hart takes on a slightly more liberal institutionalist view by elaborating on how the governance capacity of the local government could limit the bounds to cooperation, even if a hegemon or institutions were in existence in Asia (2003). Kang, taking on a different theoretical perspective, rejects the basic propositions of neorealism by stating that a balance of power is not being instituted in Asia, but does not seem to refute the fact that states are extremely important and the struggle for security is still relevant (2003).

These preliminary examples of arguments amongst a number of international relations theorists help to demonstrate that there continues to be a struggle over the means to analyse how cooperation takes place within the East-Asian GPE. The purpose of this thesis is not to argue a singular point of view on the EC-East Asian partnership through theoretical inclusions and exclusions. Instead, this thesis intends to test the balances proposed in chapters 2 and 3 through the use of the EC's bilateral and multilateral partnership with Japan, the ROK and China. This section first argues for the rationale behind the use of these three countries and its partnership with the EC to test the analytical framework. Then, a proposition on the methodology for the tests are made, with an explanation of how tests of the trade data, institutional development and dialogue intensification, and a rhetorical analysis of EC strategic documents can provide empirical links back to the analytical framework's focus on the two balances (bilateralism and multilateralism against material interest, institutions, and ideas).

A case study of the EC's external cooperation with Japan, the ROK, and China is suitable to test patterns in the evolution of cooperation between the EC and its Asian counterparts for a number of reasons. The primary

reason is due to the fact that all of the East Asian states have historically had a long and well documented period of constant interaction with the Europeans. Another important reason is because all three countries are involved in a multilateral interregionalism, the Asia-Europe Meeting (ASEM) process, and has extended ties on a bilateral interregional basis as well. This provides the thesis with a test on both modes of cooperation simultaneously, which is essential in addressing the balance between bilateralism and multilateralism.

The balance between material interests, institutions, and ideas is also empirically abundant in the EC-East Asian relationship. Trade has been the leading stimulant in a cooperation process between the EC and East Asia, to the extent that political and social issues have been relegated to a relatively minor position (Dent 1996, Gilson 2000). With the rise of China's economic power in the recent decade, material interests have never been more important in the EC-East Asian partnership. This provides a good measure of material interest for this research to measure the effects of.

As for the measure of institutional influence, the EC has also engaged in a process of both bilateral and multilateral institutionalisation with East Asia. Bilateral institutionalisation has proven to be intensive, particularly between the European with Japan and China (Shambaugh 1996, Gilson 2000, Kapur 1986). The presence of international institutions involving East Asia and the EC has had a profound effect on the EC's bilateralism and multilateralism in the region. While the Asia-Europe Meeting (ASEM) has been accused of being lacking in substance as well as enforcement powers, they provide a stage for negotiation and consultation between the member countries which usually are followed up under the more formal structure of the WTO. The abundance of institutional influences in the EC-East Asian partnership provides rich areas of investigation to provide answers to the questions and propositions raised by cooperation and interregionalism.

In a partnership which appears to be so strongly focused on trade, ideas appear to be the least conspicuous area of enquiry. The EC, however, is known to produce numerous documents on its external commercial policies and this extends to its relationship with East Asia. These strategic documents, many of which are jointly negotiated with its East Asian counterparts, are



excellent clues of various aspect of the partnership. It is also the best way to see how ideas, values and codes of conduct have been documented. In other words, these strategic documents are a significant way to extract how the EC perceive the partnership is going, and which ideas the EC (and to some degree, its partners) hold as most important. Through a rhetorical analysis of these documents, one would expect to see how ideas have influenced the EC-East Asian partnership.

In the analysis of the key questions and propositions on cooperation in this thesis, the dynamic elements of cooperation must not be forgotten. Each of the selected countries has its own distinctive character and its relationship with the EC is expected to have noticeable patterns of fluctuation in cooperation. One would have to consider if the changing nature of all actors involved will result in further interesting patterns in the bilateral cooperation process as well as the multilateral process. Japan, China, and the ROK all have had their own respective periods of economic rises and declines and are all in various stages of economic development. They also operate under what is still considered to be an anarchic, hierarchical, and evolving GPE. In addition to this, the EC and East Asia have the option of both bilateralism and multilateralism open to them. These dynamic elements of cooperation are expected to play a significant role in the evolution of cooperation between the EC and East Asia.

The analysis of the propositions and questions on cooperation as well as the dynamic elements of cooperation is examined in detail in the empirical tests conducted in chapters 5 and 6. Chapter 5 includes a vertical dimension examination for each of the individual EC-East Asian bilateral partnership but is also focused, in the horizontal dimension, on establishing a critical and conceptual analysis which starts to test in detail the two core balances of the thesis. The empirical bilateral examinations will initially determine whether there are grounds to claim that there is a stronger focus on material interests in bilateral relationships. This chapter structure is resembled in Chapter 6 for the multilateral partnership as seen in ASEM. Instead of a vertical study of the individual countries, Chapter 6 conducts a vertical analysis of each ASEM summit instead. Consequently, the horizontal analysis conducts an examination of the material, institutional, and ideational influences across the

ASEM summits. The multilateral tests will recall the initial propositions and questions on cooperation and examine whether there is a clearer emphasis on ideas in multilateral partnerships.

### *Active Bilateralism, Passive Multilateralism, and Revisiting IPE Propositions on Cooperation*

The Conclusion critically examines the results of the bilateral and multilateral tests and analyse the overall evolution of cooperation. This is done through a consideration of the balance between bilateralism and multilateralism and material interest versus ideas, values and codes of conduct in EC-East Asian relations. The previous hypothesis are re-examined in the light of the empirical findings. This chapter will review the argument as well as the implications of the proposition that materialism is most pertinent in bilateral cooperation while values, ideas and codes of conduct are more relevant in multilateralism. It will also re-confirm the importance of institutions in the evolution of cooperation. Similarly, the chapter revisits exogenous and endogenous factors which appear to have played a part in affecting the conditions under which cooperation takes place as well as contributed to the fluctuation in cooperation. The important factor of the clarity of mutual policy intent, reciprocity, and trust is further clarified, as this appears to have played a role in the effectiveness or ineffectiveness of the modes of cooperation. In fact, the existence of the bilateral and multilateral modes of cooperation as well as the material, ideational, and institutional elements ingrained in the evolutionary dynamics appear to serve both as a stimulant and a hindrance to the cooperation process. The Chapter goes on to conclude that the EC is favouring a phase of active bilateralism versus passive multilateralism in its relationship with East Asia, where the Europeans prefer to shift existing indifference in the increasingly tedious multilateral ASEM process to a set of more effective bilateral agreements with preferred partners.

The Conclusion also returns to the question of cooperation in IPE theory and the validity of some of the suggestions made about cooperation and interregionalism in this thesis. The findings in the EC-East Asian empirical

study and the tests on material, ideational, and institutional factors on each of the empirical cases are investigated to see if they support the propositions made in chapters 2 and 3. This conclusion discusses patterns in cooperation which can be perceived, factors dictating cooperation or defection, the theoretical correlation between bilateralism and multilateralism, and between materialism and ideas in cooperation theory.

The final section of the Conclusion goes on to address the limitations of this study as well as to propose some grounds for further research. It demonstrates how the extraction of insights concerning cooperation from various strands of IPE theory as well as the use of non-conventional theory related to cooperation can assist in one's understanding of interregional cooperation in the GPE. Extraction of a particular issue from different IPE schools, in this case cooperation, helps to overcome the parsimony and the tunnel vision which could limit our understanding of an issue. It also results in increased objectivity and aids with the comprehensiveness of the analysis.



## **Chapter 2**

### **IPE Theory and Cooperation**

Practitioners looking at international political economy theories for an answer on how to initiate interregional cooperation within the modern global political economy are understandably a little confused. The study of International Political Economy (IPE) is littered with findings which yield ironic results, theories overlapping each other and confusion amongst different camps. Current debates continue between realists and liberalists, neorealists and neoliberal theorists, as well as one between the rational choice schools and the constructivists. A host of midrange theories, offering synthesis between each of the major theoretical paradigms add further complexity to the debates. A practitioner searching for a simple solution to problems in cooperation would not find a straight answer while looking at IPE theory.

This Chapter focuses on IPE theory and locates the principles of cooperation found within IPE. This is done by extracting the main thoughts on cooperation in the Global Political Economy (GPE) suggested by neorealism, neoliberal institutionalism, and social constructivism. The Chapter importantly notes how the inclusions and exclusions on certain principles of cooperation suggested by the individual IPE theory presents an obstacle to our understanding of cooperation. This Chapter proposes that an eclectic approach which combines the insights on cooperation of these major IPE theories are required to be able to identify the motives for cooperation between actors, the various forms available, as well as the qualitative nature of the cooperation process.

To achieve these ends, this Chapter is divided into three sections. The first section presents neorealism, neoliberal institutionalism, and social constructivism separately in order to obtain a picture of their individual views on cooperation. The section separates each of the IPE views on cooperation according to the central problematics of IPE on the nature of the actor, the nature of GPE, and the nature of actors' interaction within the GPE. In addition to this, Wendt's use of the importance of ideas against the importance of

structures in classifying theory is used as an extra mechanism to enhance our understanding of cooperation based on IPE.

The second section argues that the inclusions and exclusions present in the individual IPE theories, while serving as useful insights, are more useful combined together. The section considers the views of several IPE theorists who offer the propositions that firstly, viewing the issues for analysis is more important than presenting theoretical inclusions and exclusions, and secondly that the IPE theories suggest some very strong areas of overlap. These areas of overlap provide an excellent case for a combined approach into our understanding of the principles of cooperation.

The third section then 'explores' cooperation using the combined approach and notes how the IPE theories offer a set of factors which influence cooperation as well as a set of dynamic elements inherent in cooperation. The section explains that the main factors of material interest, institutions, and ideas stand out in IPE theory as the main criterion in influencing the interregional cooperation process. These factors need to be considered under the dynamic elements of constantly evolving actors, a hierarchical and anarchic international system adopting to its own evolution as well as the evolution of actors and alternating bilateral and multilateral modes of cooperation. These factors and dynamic elements of cooperation are the major themes extracted from IPE theory as a whole, and will serve as the main components of the conceptual questions and propositions introduced in Chapter 3.

The third section also includes an analysis of the implications which IPE theories have for regionalism and interregionalism. The last part of the third section examines the underlying debates in regionalism and argues that the questions being asked in the concept of regionalism are mirrored in IPE areas of enquiry. In other words, regionalism scholars' desire to articulate the significance of the state (or state-led institutions) as an actor, the confluence between trade and politics, and the growing importance of ideas are topics IPE theories similarly try to elaborate and provide explanations for.

In summary, Chapter 2 is designed to extract knowledge on the principles of international cooperation based on existing traditional IPE literature and given central problematics on cooperation. The knowledge is



then combined and the most important principles of cooperation, namely the factors influencing cooperation and the dynamic elements of cooperation are laid out for further analysis. In essence, this Chapter lays down the IPE background on cooperation which is necessary in taking the thesis further into Chapter 3 where this thesis further proposes Robert Axelrod's non-traditional approach to understanding cooperation as a means of providing further insight into the analysis of cooperation within the GPE.

### *IPE Theory: Central Problematics of Neorealism, Neoliberal, and Social Constructivism*

Cooperation in the global political economy takes place under certain contexts and the study of IPE captures a strongly vivid picture of the ongoing processes which results in the various forms of cooperation taking place in the world. Before going into an analysis of the various flavours of IPE theory, a discussion of some of the central problematics of IPE assists in setting up a context for analysis of cooperation within IPE. The intention for this discussion of the central problematics of IPE is so that we can isolate the core of the IPE theories which are directly relevant to issues of cooperation. This section goes into a discussion of this core which includes the nature of the actor, the nature of GPE, and the nature of actors' interaction within the GPE.

The definition of IPE and its central problematics remain fundamentally the same despite some variability within the interpretations. IPE deals specifically with the interaction between states and markets within an international system considered to be under anarchy and attempts to isolate the various factors which cause the interaction as well as the consequences of the interaction. It is notable that in IPE, there are the critical problems in analysing anarchy and the levels of analysis one undertakes in evaluating the global political economy.

Firstly, the nature of the actor is considered one of the main central problematics of IPE, and the role of the state and institutions are critical to one's understanding of cooperation. The state continues to be a principal decision-maker, but is no longer in complete control and undergoing

continuous evolution, while the domestic and international levels have become inevitably interconnected (Underhill 1994:20). Interaction within the IPE between states and markets continues to evolve in various ways without a single sovereign authority to dictate the rules. The direction in which the IPE evolves and how this leads to different interaction between the central actors continues as a central focus of the study in IPE.

It is integral to note that although state sovereignty has shifted positions and transformed from its conventional nature of being territorially-bound, its presence continues to be important. The state continues to be a “crucial nodal point” for political conflict over structure and institutions (Underhill 1994:37). In a globalised world, states behaviour needs to be more flexible and new circumstances must be allowed for to enable transformations towards a more peaceful world (Krasner, 2000). Smith explicitly states that nation-states continue to be powerful, but are being significantly “re-shaped” and that identity needs to be reconceptualised as geopolitics is becoming increasingly outdated (1999: 18). Thus, when defining states’ ‘strengths’, binding oneself to the old notions of territory-locked notions of sovereignty could result in shallow and erroneous analytical outcomes.

As concerns unique transgovernmental organizations such as the EU, this does not necessarily mean that state sovereignty is declining, but rather that the identifying features of sovereignty has changed ever since globalisation became a part of world affairs. If EU member states have truly weakened through this decline in sovereignty, one would suspect that the slide towards integration would have been far swifter and less problematic. The nature of the EU’s “history-making decisions”, where major transformations are made to the policy-making framework, are almost entirely controlled through intergovernmentalism in the Council (Peterson, 1995). One could argue that the systemic and sub-systemic levels played a large role in the development of proposals, but the fact that the proposals needed to take into account the preferences of member states needs to be considered (Hix 1999:202). The Commission cannot propose on a supranational whim, or the history-making decisions will simply not be taken at the intergovernmental conferences (IGCs) level.

IPE also discusses a possible shift from the primacy of the state to one of states being constrained by institutions. Sassen, in her discussion of sovereignty in the age of globalisation, writes of how sovereignty has been decentralised and territoriality to some degree denationalised when nation-states have been “reconstituted and partly displaced onto other institutional arenas outside the state and outside the framework of nationalised territory” (1996: 28). Keohane took a similar view, indicating that sovereignty had been shifted from territories categorised by barriers to a “bargaining resource for a politics characterised by complex transnational networks”. In other words, state sovereignty continues to matter, but is used differently to bargain for “greater gains” from exchange in the international area (2000: 117). Milner instead feels that distribution of power among countries is not an exclusive factor in the formation of the international economy. She quotes Keohane who said that hegemonies might be necessary for creating international institutions, but once created, they begin to function by themselves (Milner 1998).

The second point of discussion concerning IPE problematics is the nature of the GPE, particularly the debate on its hierarchical and anarchic nature. This primarily means that the GPE lacks a dominating authority which takes on the duty of governing the world. As this Chapter will go on to discuss, different IPE theories offer different stands or ways of understanding the nature of the GPE.

Considering the question of the status of actors within the system, one clearly sees that the *de jure* status of states as equals is not reflected in reality. This could either mean that some sort of order between states has developed as the neorealists would argue<sup>3</sup> (Waltz 1986:112), or that hierarchy is present within the system as the neoliberals would propose. In other words, the international system has “always been characterised by organised hypocrisy” due to its multitude of norms, power asymmetries, and absence of any authoritative mechanism for resolving conflicts (Krasner 2000:134). How this anarchic and hierarchical nature affects actors is an important question IPE theories attempt to answer.

---

<sup>3</sup> Technically, Waltz states that anarchy and hierarchy cannot exist at the same time, but he does admit to possible development of an order of sorts (1986:112)



The third central problematic is the interaction between actors and the GPE and how cooperation can be reached. According to Strange, IPE “concerns the social, political, and economic arrangements affecting the global systems of production, exchange, and distribution, and the mix of values reflected therein” (1994: 18). Gilpin defines the GPE as a “sociopolitical system composed of powerful economic actors or institutions such as giant firms, powerful labour unions and large agribusinesses that are competing to formulate government policies on taxes, tariffs, and other matters in ways that advance their interests” (2001: 38). Underhill notes how major IPE theorists appear to have agreed on the essential point that the fundamental problematic of IPE is the interaction of a transnational market economy with a system of competitive states (1994:21).

These views offer examples of the agreement amongst IPE theorists that the manner in which actors interact with each other within the GPE, sometimes to reach cooperation, is a central concern of the field. In the discussion of cooperation in the GPE, one needs to be reminded that the field of IPE offers various lenses to view the social, political, and economic interaction between agents and structures, as well as the results of the interaction. IPE also attempts to offer various explanations to why an interaction has resulted in such a manner, although findings can be significantly different due to the different theoretical orientations. A number of questions arise from this and include the puzzle of how cooperation is initiated, what kind of interest matters and how interests are formed. These are central problematics revolving around the interaction between actors and the GPE in which IPE theories attempt to provide explanations for.

To sum up, the central problematics of IPE involve the constant evolution of the actors and institutions, an anarchical and hierarchical GPE, and attempts to reach cooperation of actors interacting within the GPE. These are important areas of consideration in cooperation and are constantly reflected in the following debates between major IPE theories. This discussion is important because of a number of reasons. First, knowing about the different theoretical viewpoints will aid in identifying the major agents involved within the sociopolitical interaction. Secondly, the various theoretical argumentations will present a clearer picture of the characteristics of the

agency and structure. Thirdly, the assumptions behind the theories will help to clarify why certain actions are taken and how cooperation has taken on the form that it does. To reach these important findings, the next section identifies how each of the theories attempt to explain the three key problematics of IPE.

### Neorealism

Neorealism is grounded on a number of basic assumptions including the anarchic international system, primacy of states, and the distribution of material capability (Waltz, 1979). In Waltz's seminal work, *Theory of International Politics*, it was proposed that the only relevant actor, states, were equal, functionally undifferentiated units of the interstate system, and distinguished mainly by their relative capabilities to carry out similar tasks (1979).

Neorealism's proposition on the nature of actors is at the core of neorealist thought: that states are supreme, equal under international law, and rational. Neorealist theories center in on rational, unitary political actors, conflictual goals, and material capabilities (Legro & Moravscik 1999: 12). It also suggests that the international political system is anarchic, a direct implication of the equality and overarching importance of states. States functioning in an anarchic international system operate on the principle of relative gains and are mainly concerned with national interests. They are expected to be rational entities in its efforts to maximise national interests. Neorealists have a common belief that all states are essentially power seeking units, and this is an obligation if it does not wish to perish (Howlette and Poore 2004: 20).

At first glance, it is perhaps fair to note that the nature of neorealism leaves little room for cooperation, particularly given the view that supreme equal states are acting inside an anarchic international system under the principle of relative gain. Mearsheimer, an offensive realist, explains how the fear of cheating on agreements in order to unfairly achieve a relative gain greatly hinders cooperation within a neorealist world (1995: 12). Jervis agrees on how neorealists view the world to be full of conflict, but still sees room for



cooperation (1994). Particularly among defensive neorealists, cooperation can indeed take place although dependent on the 'severity of the security dilemma' and the actors' intentions (Jervis 1994:62). In the case of neorealists, suboptimal outcomes are expected due to the fact that states lack the capacity to reach common interests and that gains are usually relative.

Neorealism's state-centric view means that the theory can only acknowledge institutions to the extent that international institutions are created by states and used to advance state interests (Waltz 2000, Glaser 2003). Institutions are considered to be only secondary actors which states will turn to when they face comparatively peaceful international conditions. Neorealists view multilateral cooperation as an opportunity for states to share the cost of involvement, thus reducing costs of intervention so that it is suitable with its interests (Glaser 2003:410). In other words, realists are that institutions indicate the distribution of power within the GPE, and that they have no independent effect on state behaviour or its tendency to cooperate (Mearsheimer 1995: 7). This implies that in the neorealist perspective, multilateralism is a lesser alternative to direct interaction with other states (bilateralism) in only specific conditions. In fact, the realist focus on relative power can even explain how powerful states such as the US can be tempted to act unilaterally (Brooks and Wohlforth 2005:509).<sup>4</sup>

Theories based on neorealism which put on a direct emphasis on the nature of the GPE are proposed in the theories of hegemonic stability and neo-mercantilism. Hegemonic stability suggests that a dominant power, or hegemon, would bear the cost of maintaining an international market economy, institutionalised in international economic regimes characterized by liberal norms and rules (Underhill 2006:11-12). Charles Kindleberger argued that the hegemon was necessary for the survival of an open and stable world economy. The theory of hegemonic stability indicates that the existence of a liberal economic order is representative of the distribution of power among states in the system. A hegemonic distribution means that the hegemon has determined that a liberal market system is the most suitable payoff for its expensive role as the world leader. For Kindleberger, cooperation works

---

<sup>4</sup> Brooks and Wohlforth, however, make several cases against unilateralism in their article.



although there is a clearly hierarchical structure and the actors are unequal due to the natural distribution of economic power amongst the actors. Similarly, work by Krasner and Gilpin focuses on how international economic “regimes”, with their sets of liberal norms and rules, would guarantee maximum economic yields for the majority and create the opportunity for “free-riding”. This would eventually result, according to the neorealist prediction, in certain acts of non-cooperation such as the protection of national markets against outsiders considered to be a threat (1983, 2001).

Robert Gilpin’s neo-mercantilist argument is that the “nature of the global economy will be strongly affected by the security and political interests of, and the relations among, the dominant economic powers, including the United States, Western Europe, Japan, China, and Russia.” (2001:12). Relative power in neorealism shapes all outcomes, including trade negotiations, human rights violations, or military intervention, with those with more power shaping outcomes to suit their own interests (Sterling-Folker 2006: 14). As such, the main economic powers are “highly unlikely” to concede control of global economic distribution to market power, particularly when today’s political economy could affect national interest to a large extent (Gilpin 2001:12).

### Neoliberal Institutionalism

Neorealism has indeed come under constant criticism by those who perceive that the theoretical perspective is generally empirically inaccurate, fails to show more motivations in a hegemon’s dominance, and the lack in content of relations among states due to its parsimonious nature (Underhill 2006:12). Sterling-Folker explains the skepticism towards realism by saying that realism severely limits the human reason to achieve the progressive liberal goals or norms usually accepted as moral rights (2006:13). It lacks the logic found in goals such as human rights, economic parity, lasting security, founded on the grounds of reasoned argument, common interests, and mutual moral principles (Sterling Folker 2006: 13). Keohane and Nye describes the realist assumptions as challengeable due to its portrayal of the world under constant

conflict, a picture which does not reflect the real world. This portrayal, while empirically inaccurate, is still useful as an extreme model of the world and Keohane and Nye have used this to frame their own seminal work on complex interdependence, considered to be the third generation of neoliberal institutionalism (2001:21). Keohane and Nye's work on complex interdependence deepened the study of neoliberal institutionalism and has led to the description of the theory as the study of the interaction of individuals in the economic sphere (Underhill 2006: 13).

The main actors in the case of neoliberal institutionalism are significantly more comprehensive than in neorealism. In neoliberal institutionalism, states continue to be primary actors, although it includes the characteristics of multiple channels (other than states) to connect societies, absence of hierarchy among issues, and the minor role of the military force (Keohane and Nye 2001: 21-23). This eventually results in varying goals of actors according to issue area, the use of different power resources specific to issues areas, agenda formation in accordance with changes in the distribution of power resources, and an increased role for organizations to set agendas with the weak states making use of coalitions for its own political actions (Keohane and Nye 2001: 31-33). Moravcsik proposes that the core assumptions of neoliberal IR theory include the primacy of societal actors, representation and state preferences, and the manner in which the configuration of interdependent state preferences determines state behaviour (1997: 516-520).

The focus of neoliberal institutionalists in examining the nature of the GPE is for means towards an increased efficiency in the international system. Neoliberals perceive that there can be a hierarchical order, even in an anarchical world. In such a world, consent and cooperation is possible in achieving absolute gains. International regimes are expected to increase the probability of cooperation by providing information, reducing transaction costs, and generating the expectation of cooperation among those involved in the relationship (Krasner 1983). It appears that the neoliberal institutionalists believe in much more unrealised or potential cooperation, and that without institutions one can only expect suboptimal outcomes (Jervis 1999: 44-46).

As concerns the nature of actors' interaction within the GPE, neoliberal institutionalists perceive institutions to be the mediator as well as the means to achieve cooperation within the GPE. The foundation of international institutions are based on frameworks of international principles, rules, norms and decision-making procedures which states wishing to maximise its interests will agree on (Krasner 1983, Keohane 1989). Institutions encompassing these principles make use of the ideals to constrain the states from absolutely maximising its interests and preference through unilateral power (Keohane, Nye, and Hoffman 1993:2-3). It also increases the level of information provided to all parties by increasing transparency as well as to raise the costs of defection (Kupchan 1994: 50-51). While neoliberal theory does not argue that institutions matter in every instance, or that it virtually guarantees cooperation, the neoliberal argue that multilateral cooperation can under certain conditions be easier to achieve when international institutions exist (Sterling-Folker 2004: 63).

Neoliberal institutionalists views on cooperation are markedly more optimistic than their neorealist counterparts, perhaps because of its strong focus on economic issues. As noted by Lipson, many of the different institutional arrangements created within the GPE are associated with economic and security issues, and the possibility for cooperation is increased when economic relations are being discussed (1988). Clearly, neoliberal institutionalists are more accommodating (than neorealists) towards cooperation in their aim towards the resolution of market failures (Ruggie 1998:9). The neoliberal perspective puts a lower emphasis on material power and argues against the overwhelming power of a single authoritative actor such as the state. This has essentially resulted in an analytical perspective focused not only on the importance of institutions for cooperation but has also drawn in, to some extent, the relevance of social forces.



## Social Constructivism

A limitation of the neorealist and neoliberal institutionalist notions of cooperation is that the premises for analysis cannot always explain reasons for states to cooperate so well with each other in some situations, while failing to do so in other situations. The weakness of basing theories on state centrality and focusing on the zero sum maintenance of state interests, the mainstay of neorealist theories, serves to poorly explain the various external factors determining policy outcomes. Placing the focus mainly on the state also means that a number of other influential actors involved in policy-making are excluded from the policy process. This is similar to neoliberal theories, which give due emphasis to the importance non-state actors, such as multinational corporations and institutions, but still lack a comprehensive analysis of why the various state or non-state actors behave the way they do. Again, it does not completely give reasons for the varying degrees of cooperation, some of which take place regardless of the state, national interest, corporation's interest, or institutional frameworks. As Wendt argues, neorealism is incapable of explaining structural change, "underspecified to generate falsifiable hypotheses", and does not even explain the "small number of big and important things" which it purports to do (1999: 17). The issues of ideas and the 'social construction' of actors are a glaring omission in the neorealist and neoliberal institutionalist theories.

The Third Great Debate in IR involves an awkward bout between the neorealists and neoliberals against the emerging contenders, social constructivists. The debate is awkward because social constructivism is not a theory of international politics, but encourages us to look at how actors are socially constructed, not which actors to study or where they are constructed. As such, units, levels of analysis, or agents and structures embedded within international politics need to be chosen (Wendt 1999:7).

This brings us to the first area of difficulty in constructivism: that it is a social theory that 'does not make claims about the content of social structures or the nature of agents at work in social life' (Finnemore and Sikkink 2001:393). Wendt argues that in social constructivism, structures of human

association are determined primarily by shared ideas rather than material forces and that identities and interests of purposive actors are constructed by these shared ideas rather than given by nature (1999). He further states that the debate in international political theory should be between different theories of system structure and how structure relates to agents (1999: 11-12). It emerges from social constructivism that international actors are based on ideas as much as by material forces, and eventually all observation (in rational choice theory) is theory-laden, dependent on background ideas, generally taken as given or unproblematic about what kinds of things there are and how they are structured (Wendt 1999:370). In other words, social constructivism can only serve as a framework for us to understand how agents and structures are mutually constituted, and through that framework, it is possible for us to understand the composition of cooperation in the GPE.

Social constructivism give institutions their due importance within the GPE's social framework. In Barnett and Finnemore's analysis of international organizations under a constructivist lens, they reach three conclusions. The first is that institutions can be viewed as purposive actors, instead of merely an arena for states to pursue their policies. Their second argument is that through institution's autonomy, they can have independent effects on the world and become powerful actors in the GPE in their own rights. Thirdly, Barnett and Finnemore note how institutions can also be evaluated normatively, and contrary to propositions made in other theories, institutions can have as many undesirable qualities as they have desirable qualities (Barnett and Finnemore 1999:726). Additionally, a number of academic works in the area of social constructivism have also noted how institutions can 'teach' states new norms of behavior (Finnemore and Sikkink 2001: 401).

Highlighting the theoretical stand of social constructivism on the nature of the GPE is far from being a straightforward task, primarily because the viewpoint is largely a-la-carte. Wendt's observation that "anarchy is what states make of it" is representative of this a-la-carte nature. Social constructivism indicates that structure produces agency and vice versa which means that the nature of the GPE and the interaction of actors within the GPE is constantly evolving. Consequently, their resulting interaction is determined by how the dominant structures and agents have been formed at certain

periods of time. Barnett notes how the normative structure shapes the identity and interests of actors such as states, and that these identities and interests are rarely constant (2005: 263). Even the nature of how power is used by actors is divided by social constructivists into the conceptual areas of compulsory, institutional, structural, and productive power (Barnett and Duvall 2005). Barnett and Duvall argue that power is reflected in the production of effects that shape an actor's capacity, in and through social relations (2005:39).

Ironically enough Wendt's version of thin constructivism itself is not free of problems. Wendt admits that his works should only be used as a "theoretical lens" (Wendt, 1999) and that by itself, certainly does not explain any state behaviour or give any "few and big" propositions (Keohane 2000:126). This statement alone puts constructivism at a serious disadvantage over other theories by admitting that it cannot stand alone, and that like other critical theories, are limited to dissent while sacrificing authority over big topics to mainstream theories (Amin&Palan 2001:560). Social constructivism's arguments could, to some degree, be in danger of tautology, because of the manner in which he implied the possibility of "identifying actors' identities as circumscribable entities at any given point in time" which effectively ignores the complexity of the identity phenomenon (Zehfuss 2001: 340). Social constructivism has also been accused of lacking empirical data and unable to overcome the situation of "thinness of norms" in the international environment (Krasner 2000:131). Critics of social constructivism note that 'theory' could be considered as more successful in stimulating thinking about the analysis of international relations than in renewing ontological debates (Keohane 2000:126).

### Ideas versus Structures in IPE Theory

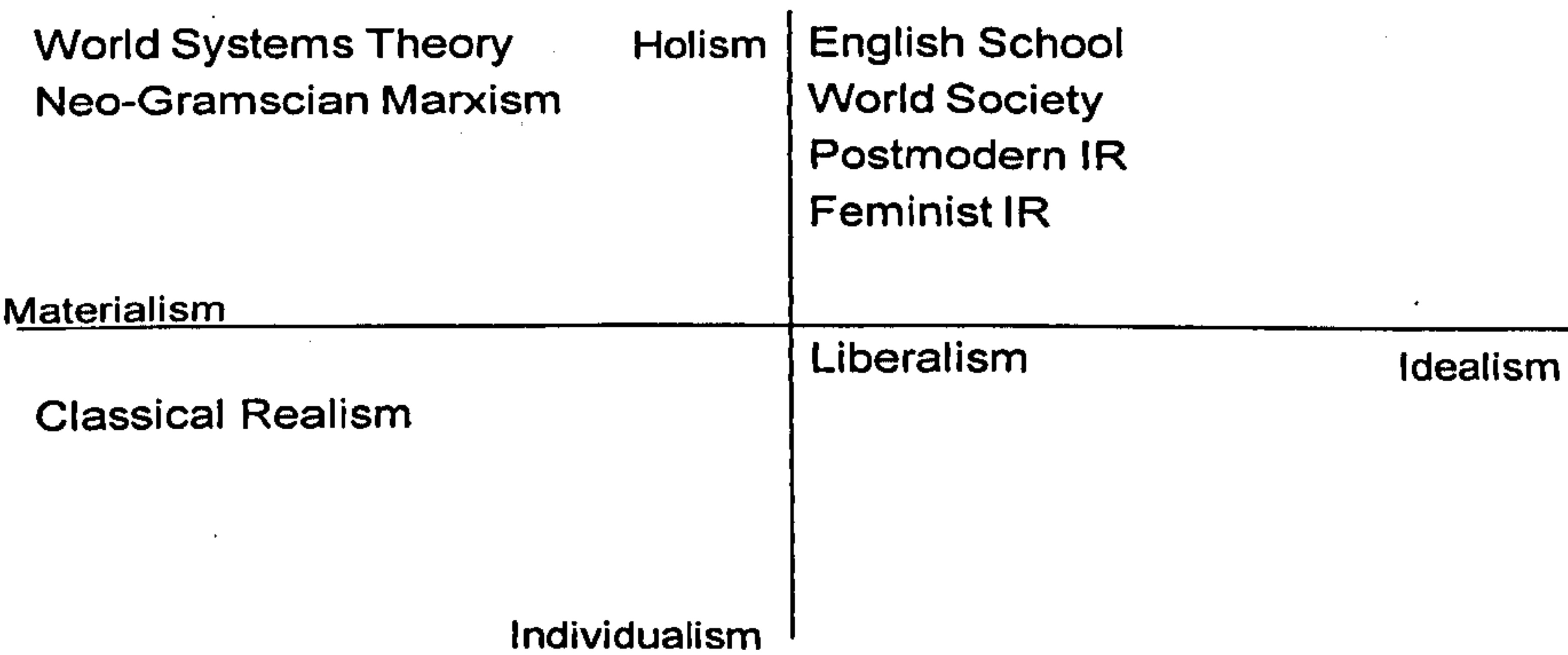
While the previous parts offered a means of understanding the difference between IPE theories through an analysis of its central problematics, this brief part offers an additional way to understand the differences in IPE theory through Wendt's use of ideas versus structures. This is offered in addition to



the central problematics in IPE so that it is distinctly clear how the IPE theories analysed in this thesis are classified. There are suggestions that in order to classify a set of theories into a theoretical paradigm, the paradigm needs to have superior parsimony, coherence, empirical accuracy, and multicausal consistency (Moravcsik 1997:515). In other words, IPE theory necessarily comprises of inclusions and exclusions which is necessary, according to Moravscik, to maintain methodological rigour. These inclusions and exclusions are comprehensively demonstrated in Wendt's classification of theories through the use of ideas versus structures.

In Wendt's classification of international theories, a distinction is made between the difference the ideas make (materialism and idealism) and the differences that structures make (holism and individualism). Materialism focuses mainly on issues of national interest, while idealism has value and ideological frameworks such as human rights, democracy, and free trade as a centre. A holistic structure focuses mainly on structures, while an individual structure is one giving importance to the single agent, or actor. As such, realism would be identified as a theory which is both materialistic and individualistic in nature, while liberalism would be grounded in idealism and individualism. Wendt's own "thin constructivist" stance would be situated somewhere in the idealistic and holistic classification (Wendt 1999).

**Figure 1: Wendt's Classification of International Theories**



Wendt's classification of international theories  
(1999)

There are other ways of classifying theories, such as the method proposed by Legro and Moravcsik, although such classifications also rely on the influences of materialism against idealism and holism versus individualism (1999). Legro and Moravcsik see three paradigms, including the institutionalists, liberal, and epistemic paradigms. They state that the debate has traditionally revolved around the question of scope, power, and the interrelationship or variation in material capabilities (such as seen in realism), national preferences (such as in liberalism), beliefs (such as in epistemic theory) and international institutions on state behaviour (1999: 11). This method of classifying theories helps to reconfirm Wendt's idea that theories can be classified according to their emphasis on materialism or idealism on the one hand, and holism or individualism on the other hand.

### *Understanding Cooperation through Convergence of IPE Theories*

The notoriously complex debates between advocates of each theoretical school serve to prove the point that there are extensive areas of overlap between each of the schools and that theory is not only about inclusions and exclusions of certain principles of cooperation, but is also about convergence. At times, the ideas debated become so converged that theorists seem to have become so perplexed that, in several instances, they begin to ask the other camp why they are even arguing. One of the obvious answers to this is that throughout the great debates, except for some of the most headstrong theorists (see Waltz 2000) an extensive process of adoption of ideas from the other camps has been put in place. This process of convergence between theories has proven useful to our understanding of the GPE because academics appear to be conceding ground to each other by admitting that their own championed theories are still incomplete. Weaknesses in the theories, often due to their necessarily parsimonious nature, also limit our understanding of the circumstances under which cooperation takes place. Convergence, on the other hand, may actually assist our understanding of cooperation by not limiting the understanding to a set of dichotomous rules, but instead opening up to a more eclectic approach.

Strange urges that a suitable method for analysis should allow the researcher to “allow more pragmatism in prescription” as well as an analytical method which would transcend the available ideologies and make communication or debate possible between them (1994:17). She urges that theory should try to “scientifically explain”, without bias, aspects of the international system not easily explained by common sense while not necessarily trying to predict or prescribe (1994:11-12). In advancing the theory of neoliberal institutionalism, Keohane and Nye integrate the realist importance of power to such an extent that Legro and Moravcsik have classified neoliberal institutionalism as belonging to the realist paradigm (1999). The “via media”, an approach taken by constructivists such as Wendt stresses the means in which rationalism and constructivism could be synthesised by means of an antimaterialist and holist methodology (see Wendt 1999, 2000). Similarly, Barnett notes how constructivism and rational choice, although generally considered competing approaches, can be combined to further one’s understanding of global politics (2005:264).

There seems to be an ongoing set of differences which are not totally irreconcilable between IPE theorists concerning the inclusions and exclusion inherent in IPE theory and the overlap of theory suggests that they may not be as different as they first appear.

**Table 2: IPE Theory – Extensive areas of overlap?**

	<b>Neorealism/Neo-Mercantilism</b>	<b>Neoliberal Institutionalism</b>	<b>Social Constructivism</b>
<b>Nature of Actor</b>	Focus on States, Equal under international law, and rational	States key, but also existence of societal actors working under multiple channels, institutions, and organizations	Actors based on ideas and structures relating to agents (agents produce structures and structures produce agents)
<b>Nature of the Global Political Economy</b>	Anarchic with some sort of order (Waltz), hierarchical (according to hegemonic stability)	Anarchic, hierarchical	Anarchy is what states make of it
<b>Nature of Actors’ Interaction Within the GPE</b>	Initiated by states, Maximise national interest, relative material gains	Maximise national interest – often where actors have mutual interests, often under institutions, absolute material gains	Normative structures and ideas shape how actors interpret and construct their social reality as well as their identity and interests
<b>Ideas versus Structures</b>	Materialist and Individualist	Materialists and Holist	Idealist and Holist



Despite the given contrasts between neorealism and neoliberal institutionalism, the two theories admit to the importance of rational choice, an issue which gives rise to the question that neorealism and neoliberal institutionalism are two sets of theories which are not as unlike each other as they appear to be. Keohane and Martin have admitted how both admit that the lack of a sovereign authority allows states to advance their interest unilaterally, making the two theories "half-siblings" (1999:3). In essence, the basic proposition of power advanced by the neorealist school has also been adopted by the neoliberal school. It has also been mentioned that the divide between neorealism and neoliberal institutionalism is greatly exaggerated, due to the fact that even neorealists take into account the fact that states use institutions to advance their interests (Glaser 2003: 409). Consequently, neoliberalism is often identified as a "virtual twin" of realism, while other neoliberals have called for the synthesis of their approach with liberalism (Thies 2004: 162). Although the debate between neorealism and neoliberalism has become rather dated and their fields are now more reconcilable than ever before, considering their respective arguments continues to be necessary for a proper analysis of international cooperation.

Taking in new strands of neorealist and neoliberal thought might explain this phenomenon in the global political economy and provide some of the reasons cooperation exists under anarchy. Ernst Haas offers one explanation, by indicating that welfare state encourages leaders to initiate cooperation with each other as much as possible, because it offers a means of satisfying the needs and demands of constituents (Ruggie 1999: 1). Axelrod and Keohane have argued that organisation in world politics exists despite anarchy, and that relationships between actors can be carefully structure in some issue areas (1986: 226). Jervis explains that while offensive realists continue to explain the world in terms of zero-sum relationship, defensive realists are much more likely to agree with their neoliberal counterparts (1999).

The social constructivist's view that neorealism and neoliberalism disregards the role of ideas may not be entirely true, and there may actually be overlaps in this theoretical 'divide' as well. Consequently, the argument that neorealism and neoliberalism might have overlooked preferences, rules,

and norms might seem unfair for advocates of the respective schools. Keohane has argued that a connection between ideas and the material world can be found in concepts of interest and power (2000: 127). It is also true that to a certain extent, interests do involve beliefs (Keohane 2000: 128). It is also true that in modern structural realism, realists often make use of other theories to explain issues not covered by realism's central thesis (Glaser 2003:403).

To this, even Wendt makes a partial contribution by admitting that material conditions, such as that found within neorealism and neoliberalism, also have the constitutive effects, albeit independent of ideas, of physical limits of possibility and defining cost and benefits of alternative courses of action (2000:166). To constructivists, who have more flexible propositions concerning interests, preferences, norms, and ideas these argument would seem to inadequate. After all, interest and power are usually held as constant in the neorealist and neoliberal worlds, while constructivists would suggest that preferences and ideas are constantly changing. As cooperation is concerned, this may have translated into variations between hard bargaining and soft negotiation.

Social constructivists argue that "the system of states is embedded in a society of states which includes sets of values rules and institutions that are commonly accepted by states and which make it possible for the system of states to function" (Ruggie 1998: 11). Ruggie argues that neorealism and neoliberalism does not sufficiently explain how territorial states acquire their current identity and interests, and does not have an analytical means for dealing with the fact that specific identities of specific states have a way of shaping their perceived interests and patterns of international outcomes (1998:14). Yet, neoliberal institutionalists do have arguments on preference formation and transfusion which could be considered to lean heavily towards ideational elements of constructivism, although in its strictest sense, their focus on the formation of domestic preferences and transfusion into institutions is not a constructivist idea.

While it is true that there are significant overlaps in IPE theory which facilitate the combination of approaches to increase our understanding of cooperation, the unique insights which do not necessarily overlap serve to fill in each other's inadequacies. A strong point of consideration is the manner in



which neoliberal institutionalism fills in the gap left behind by constructivists such as Wendt concerning how normative ideas at the domestic level affect the international system, instead of looking at only ideational elements at the international systemic level. Neoliberal institutionalists would explain that state actors are bound by the rules and regulations set up by international institutions, and that domestic preferences used to launch institutions also embrace norms and values. Ideas, classified as world views, principled beliefs, and causal beliefs, could influence politics by "acting as road maps, helping to cope with the absence of unique equilibrium solutions, and becoming embedded in durable institutions". Nevertheless, a "liberal constructivist" direction has already been undertaken for a "constructivist interpretation of liberal theory" which puts an emphasis on how ideas and communication are important when they are more compatible with present domestic values and institutions (Moravcsik 1997: 540).

It appears that while the rational choice camps offer a good insight into the structure of the current global political economy, especially concerning the role of dominant actors and vested interests, they struggle to explain the social side of relationships. Rational choice theories such as neorealism and neoliberal institutionalism concur that anarchy exists within the international system, but they differ mainly on the extent of anarchy and the degree of independence main power have in making a decision (Lawton et al 2000:6). This rather bleak view on the nature of the global political economy means that rational choice theories imply that cooperation is based on the influence of some extremely powerful actors and that negotiations are conducted on the basis of vested interests. While neoliberal institutionalists would explain that state actors are bound by the rules and regulations set up by international institutions, the norms and values inherent in the setting up of international institutions are not as obvious in their explanations. As such, social constructivist theories which attempt to explain the intangible composition of relationships through the analysis of the structure of the global political economy as well as the inherent qualities of interactions are highly valuable. While international political economy theorists attempt to clarify their views on the functioning of the global system, it is becoming increasingly true that in some areas and in some types of interaction, some theories offer more



relevant insights than others. This also holds true for cooperation, where the consequences of cooperation varies according to the influencing factors in the process as well as the context for cooperation.

### *Exploring Cooperation*

Cooperation is considered to take place when “actors adjust their behaviour to the actual or anticipated preferences of others, through a process of policy coordination” (Keohane 1984: 51-52). This general description of cooperation has become the accepted definition, with policy coordination implying that state policies have been adjusted so that undesirable outcomes for states they are interacting with are decreased (Milner 1997: 7). As noted in the Introduction, in this thesis, cooperation is considered to take place when actors in partnership either consciously or unconsciously adjust policy coordination to maximise mutually beneficial outcomes while minimising undesirable outcomes. The contention in this part is that policy coordination and preferences are formed, as suggested by IPE theory, through the influencing factors of material interest, institutions, and ideas.

Avoiding inclusions and exclusions means that one can draw on the collective insight on cooperation made by each of the theories discussed to further understand interregionalism. Each of the theories, different in some issues while similar in several insights, help us to isolate a number of factors necessary for the understanding of cooperation. Factors influencing cooperation might not be as complicated as the theories individually and collectively suggestion. Recognition that process and environment, or structure, are interactive parts of the same whole would eliminate debates such as the one between neorealism and neoliberalism, constructivists argue (Wendt 1999, Thies 2004: 179).

The neorealist and neomercantilist contribution to our understanding of cooperation is its focus on state-centrism, maximised zero-sum material interest, and the secondary role of institutions. Before social constructivism and the issues of normative ideas and socially constructed realities were offered in IPE theory, one had a fairly precise idea of how cooperation would

take place. The state-centric neorealist school would argue that cooperation would be in a predominantly bilateral form and would focus on security and power. This was if cooperation would ever take place at all, something hard core realists are sceptical about.

Neoliberal institutionalists' contribution to the understanding of cooperation is far more explicit. To reiterate, the theory focuses on institutions, interdependence, multiple channels of contact, and the assumption that state goals are multiple and unhierarchical. The implication for cooperation is that the chances for cooperation are higher, would take place in a predominantly multilateral form, and would focus on efficiency and relative gains<sup>5</sup>.

The constructivist school says a lot about how cooperation might be formed, but proposes very little on the possibility, form, and main goals for cooperation. The main contribution from social constructivism is in obliging us to think of how ideas are an important component of cooperation, and helps to explain how cooperation takes place when the neorealists and neoliberals would consider cooperation to be very unlikely. Notably, Wendt has proposed that the question is not materialism versus idealism, but rather how material forces and ideas are articulated. He states that ontological awareness is important, and some issues have to go in the foreground while others stay significant but in the background (2000:170). Social constructivism's status as a "way of looking" at international politics, however, essentially surrenders its potential to be a theory which gives a precise framework for the analysis of cooperation.

Drawing on the contributions by each school of thought as noted in this part and in the previous section, the three critical factors which influence cooperation comprise of material interest, institutions, and ideas. The neorealist school puts a very strong emphasis on the fulfilment of material interest, particularly by the state. Neoliberal institutionalism, while agreeing with neorealists on the difficulty of achieving cooperation in anarchy, puts its faith in institutions as well as the fact that there are a wider range of actors as well as issues. Finally, social constructivism proposes that without the

---

<sup>5</sup> Neoliberal institutionalists also admit to a strong degree that national preferences are dominated by materialist values.



analysis of ideas as one of the critical factors, it is impossible to understand how cooperation takes place.

Understanding the nature of cooperation through the convergence of theory, apart from the mentioned critical factors, also requires an understanding of the dynamic elements of cooperation. Neorealism, neoliberal institutionalism, and social constructivism all contribute to our understanding of these dynamic elements of cooperation. To understand cooperation, one first needs to consider the nature of actors, who are the primary participants within a cooperation process. Secondly, this section argues that cooperation takes place under the context of a hierarchical international system which means that actors are not created equal, and do not have an equal say in the cooperation process. Thirdly, this section emphasises the importance of the modes of cooperation, bilateralism and multilateralism, as another dynamic element of cooperation.

The first dynamic element of cooperation in which IPE theory urges us to take into account is the evolutionary nature of actors, and the distinction between claims of rationality and the evolution of actors' identities and preferences. This context is important because it serves as a starting point to our understanding of how rationality, as argued by neorealism and neoliberal institutionalism, continues to be a dominant description of actors functioning in the global political economy, although suggestions that a more careful methodology to determine what is "rational" might be required. States, for example, are rational, although perhaps no longer unitary, actors working in anarchy. It is also important to remember that the state is embedded within and shaped by domestic and global social forces/structures, and that agents constitute structures as much as structures constitute agents (Hobson&Ramesh 2002:8, 19). This means that while actors interact, identities and interests are sustained and expectations are created, thus creating and maintaining social structures which subsequently limit choices (Wendt 1999).

As regards the nature of actors, identities and preferences are usually held as constant in a number of issues, particularly those normally regarded as high politics, while in lower politics identities and preferences might be more malleable. It is, according to social constructivists, debatable that



identities and preferences do change from time to time according to the ideas present in the international system at the period, but one usually sees a strong inclination towards the preservation of security issues as well as matters of national interest. It is an important reminder that identities and preferences change while the policy exchange area under discussion changes from states to markets and to the different levels in states and markets interaction.

The second dynamic element of cooperation, according to suggestions in IPE theory, is the evolutionary nature of a hierarchical international system which is expected to change accordingly with the evolution of actors within the system. Structures and the society matter in the debate and without some sort of consideration over these factors, a complete understanding of how cooperation takes place between states, institutions, and society would be difficult. It is also important to note that the state is embedded within and shaped by domestic and global social forces and structures, and that agents constitute structures as much as structures constitute agents (Hobson&Ramesh 2002:8, 19). This means that while agents interact, identities and interests are sustained and expectations are created, thus creating and maintaining social structures which subsequently limit choices (Wendt 1999).

Considering the question of the status of actors within the system, one clearly sees that the de jure status of states as equals is not reflected in reality as noted in earlier discussion on anarchy, hegemons, and the hierarchical international system. Today, it has been argued that due to the growth of international institutions and a supposedly weakened US economy, the US hegemony is in decline (Corden 1990:13). This claim is today contentious and under debate, especially since the United States today "enjoys a power advantage this is unmatched in modern history, both in the overall size of its advantage and in the diversity of its predominant power, which includes economic, military, and technological advantages" (Glaser 2003:405).

Rational choice theories offer straightforward material explanation for the hierarchical institutional arrangements, especially found in the state's contractual relations, credit rating agencies, and off-shore tax havens, it has been argued (Cooley 2003). Even social constructivists would admit that the real world is hierarchical, and that "anarchic" norms often fall prey to various

kinds of hierarchical structures such as hegemonies, influence sphere, patron-client relations, and informal empires (Wendt 2000: 177). The question of hierarchy, or suggestions of some sort of unequal order, among states characterises the nature of the international system and must be taken account of when considering factors for cooperation.

The third dynamic element of cooperation implied by IPE theories concerns the mode of cooperation and the links to material interest, institutions, and ideas. To understand cooperation, one must distinguish whether cooperation is grounded on a bilateral or multilateral basis and how material interest, institutions, or ideas influence the mode of cooperation. In today's GPE, it is highly possible that one would be analysing the interactions between an international organisation with a state, or regional organisations with a transgovernmental organisation. Empirical evidence has become available to show that important powers might prefer multilateralism in some cases while resorting to bilateralism in other cases (Hemmer&Katzenstein 2002:575). It is also highly likely that a state would be able to carry on a cooperative relationship with another state through both bilateral and multilateral means simultaneously (Smith 2004). Analysing why a mode of cooperation becomes predominant and the explaining the success of a mode of cooperation in a partnership is important for the understanding of cooperation.

The major influencing factors for cooperation and the dynamic elements of cooperation give rise to a number of important considerations. One must first ask how and why cooperation fluctuates. Present theoretical frameworks do very little to explain why cooperation takes place in some cases, and while it does not in others. Cooperation can fluctuate and actors can behave unexpectedly to those they interact with, even when the predominant conditions appear to be the same. In some cases, it appears to boil down to the simple matter of how the actors behaved within the negotiation process. In most cases, however, intricate details overlooked, if not ignored, by the main theoretical perspectives are the determining factors on whether cooperation took place in a particular case. Available IPE theories such as neorealism and neoliberalism, due to their necessarily inclusive and exclusive nature, deal highly inadequately with grey areas in cooperation.



Constructivists' non-arguments offer little in the area of causal explanations but do help to clear up some of the constitutive elements of cooperation.

The given critical factors which influence cooperation and the dynamic elements of cooperation will become a recurring theme in the following Chapters. Chapter 3 makes use of Robert Axelrod's work on cooperation to inform and consolidate existing IPE theories. The chapter discusses in detail how the underlying factors of material interest, institutions, and ideas can influence actors to gravitate towards the bilateral and multilateral modes of cooperation. Chapter 3 consequently introduces a set of conceptual problematics to attempt to bridge the gap between the theoretical paradigms in order to promote convergence and avoid parsimonies. In Chapter 3's proposition of an empirical test for the conceptual problematics, EC-East Asian evolution of cooperation, there is a continued reference to the evolutionary nature of actors, the evolutionary nature of the hierarchical international system, and the constant shifts between the bilateral and multilateral modes of cooperation.

### *IPE Theories and the Implications for Interregional Cooperation*

As noted in the Introduction to this thesis, a combination of theories has been necessary in understanding the EU's motivations for engaging in regionalism and interregionalism. The debates in classical IPE theories of neorealism, neoliberal institutionalism, and social constructivism elaborated in this Chapter and its findings apply to interregionalism as well although translation of some of these conclusions to interregionalism may not be straightforward for a number of reasons. The main reason for this is because of the struggle in defining regionalism and specifying what its main features entail. In other words, understanding the implications IPE theories have on interregional cooperation requires an examination of the so far unresolved debates on interregionalism. These debates are centred on the familiar topics of the significance of the state as an actor, the relevance between trade and politics in the international system, and the growing importance of ideas.



We can expect these theoretical debates to extend to interregionalism. Hänggi notes how realism would focus on the dynamics of rival regionalism and the attempt to balance power between different regional actors (2000:8). He continues to note how we can expect liberal institutionalism to emphasise the necessity of cooperation to manage complex interdependence on an interregional level (Hänggi 2000:9). Other scholars have made use of social constructivist approaches which explain how identity is formed through interregional interaction (Rüland 1999: 3-7, Gilson 2005: 309-310). Systemic explanations of interregionalism have also been made through eclectic approaches which combine, for example, realist and liberal-institutionalist perspectives (Roloff 1998).

To begin with, an agreement among scholars of interregionalism still has not been reached on who the main actors in interregionalism are and whether the state (and institutions led by states) continues to be one of the main actors. This argument relates directly to the IPE theoretical discussion over the nature of the actor. Many define regionalism as cooperation within regions, while others consider regionalism to mean 'subregional cooperation created from below, not by states or supranational actors' (Lahteenmaki and Kakonen 1999:204). If the latter view is to be taken as true, neorealism, and to some extent neoliberal institutionalism, would lose some of its relevance in the interregional debate. This is a controversial proposition and not entirely backed up by empirical evidence. In the Introduction as well as in this Chapter, this thesis has argued the manner in which the state continues to be primary actors within the GPE. Likewise, Lahteenmaki and Kakonen, while noting the growing irrelevance of the state and the changing notion of sovereignty, argue that neorealism 'cannot be entirely replaced' and that 'most forms of regionalisation in Europe are still strongly influenced by the state' (1999:221)..

Similarly, Soderbaum and Langenhove state that states are 'certainly important' and 'crucial actors of interregionalism' although they have noted how non-state actors are often found to be involved in the process (2005:258). Pedersen argues for the continued importance of the state by proposing a 'partial theory of regionalism based upon modified realist tenets'. He explains that his theory of cooperative hegemony argues that the most salient points in

regional projects are best explained through examination of the interests and strategy of the biggest state (or states in the region (Pedersen 2002:678). This approach in understanding regionalism makes use of not only power politics (derived from realism) but also provides attention to the evolving ideas and institutions of these states (Pedersen 2002:695).

The literature on interregionalism reflects the IPE theoretical debate over the nature of the GPE in the manner in which new regionalism is being defined. One of the features which distinguish new regionalism is the manner in which one or more small countries link up with a large country (Ethier 1998:1150). This clearly portrays a degree of hierarchy within the GPE, particularly when in new regionalism, most of the important regional arrangements have been proven to be one-sided with the smaller countries usually making more concessions (Ethier 1998: 1150-1151). Another point to note is how third-generation regionalism attempts to manage the anarchical GPE by shaping global governance and are not just aimed at optimising economic and political processes (Soderbaum and Langenhove 2005:257).

Apart from the debate on actor focus and the importance of states, a struggle appears to have arisen on issue areas and whether interregionalism is primarily focused on trade, politics, or a combination of both. This relates to the IPE theoretical discussion over the nature of actors' interaction within the GPE. Much of the literature on regionalism appears to agree that PTAs and their explicit focus on trade has been the most obvious product of regionalism. Yet, not dissimilar to the manner in which politics and economics have fused into the study of IPE, the two appear to have become integral partners within regionalism as well. This is well represented in Fishlow and Haggards' definition of regionalism as 'regional concentration of economic flows or political process characterised by economic policy cooperation and coordination among countries' (1992). The third wave of regionalism, for example, displays strong evidence of political economy, particularly when it implies the shaping of global governance (Soderbaum and van Langenhove (2005: 257) and the willingness of major global actors to mediate trade disputes (Mansfield and Milner (1999:591).

Added to the debate around politics and trade is the issue of ideas, values and codes of conduct. This is linked to the IPE theoretical debate on



ideas versus structures. Ideational arguments, particularly in EU literature, note that the EC's desire to expand its global 'actorness', often reflected in interregionalism, is part of the EC's desire to expand its normative power. This has been said to be empirically evident in the EC's interregional efforts with the Mercosur bloc (Doctor 2007), ASEM (Gilson 2002), and the ACP states. Ideas may have also been a prominent characteristic in new regionalism in the manner in which small countries are appearing to make significant unilateral reforms (Ethier 1998: 1151). Whether ideas have been the dominant force continues to be a contested issue and arguments have been made on either side. There is also the point of contention that if ideas were indeed the most important factor in the EC's interregional efforts, would it not be more effective for the EC to focus exclusively on global multilateral efforts rather than bilateral or interregional efforts.

**Table 3: Linking Questions between IPE Theories and Regionalism/Interregionalism**

	IPE Theories	Regionalism/Interregionalism
Nature of Actor	States, institutions, agents vs. structures	State-led or led by non-state actors?
Nature of the Global Political Economy	Anarchic? Hierarchical? Varying interpretations of anarchy?	Small countries linking up to large countries (hierarchy), emphasis on shaping global governance (managing anarchy?)
Nature of Actors' Interaction within the GPE	Relative or absolute gains?	Trade liberalisation and how to make regionalism and global liberalisation institutions coexist. Gains between two partners or absolute global gains?
Ideas versus Structures	Materialism, idealism, or holism?	Material interest (as reflected in security and trade issues) or ideas?

These underlying debates in the conceptualisation of regionalism and interregionalism demonstrate the continued relevance of IPE theories and the discipline's areas of enquiry. The questions IPE theories ask: nature of actors, nature of the GPE, the interaction of actors within the GPE, and the issue of structure and agency are mirrored in the debates being held in regionalism. The following Chapter develops these ideas and debates further by examining the relevance of Robert Axelrod's theories of cooperation and developing a set of core proposals to examine cooperation and interregionalism.



## **Chapter 3**

### **Axelrod, Cooperation, and Interregionalism**

Traditional IPE theory, as explained in the previous Chapter, makes use of inclusions and exclusions on principles of cooperation to highlight some of its main ideas. Despite these inclusions and exclusion, the neorealism, neoliberal institutionalism, and social constructivism has proven to have some extensive areas of overlapping ideas. Combined, these ideas provide some very important insights into the nature of cooperation. As noted in the previous chapter, material interests, institutions, and ideas are the primary factors which can dictate cooperation processes and outcomes. These factors function under the concerns of the dynamic elements of cooperation which include the evolutionary nature of actors, the evolutionary nature of a hierarchical international system, and the bilateral and multilateral modes of cooperation. This assumption, derived from IPE theory, makes up the argument that cooperation is rarely constant and prone to fluctuation.

While Chapter 2 focused on the main factors influencing cooperation as well as its dynamic elements, Chapter 3 places a stronger emphasis on the modes of cooperation and the specific conditions which affect the partners' fluctuation between bilateralism and multilateralism. Material interests, institutions and ideas once again are considered as the main factors for the fluctuation between modes of cooperation. The primary argument in this Chapter is that material interests tend to be more observable in bilateral relationships while ideas are prominent in multilateral relationships. Institutions appear to exist in both modes of cooperation and play an important role in regulating both bilateralism and multilateralism.

The first section of this chapter delves further into the nature of cooperation in an anarchic world by using Axelrod's study on patterns of cooperation to determine the expected pattern of behaviours under different circumstances. Axelrod's work is valuable in studying cooperation because the findings show both the standard Prisoner's dilemma and the n-player game, situations which allude to the bilateral and multilateral negotiation

process. Further studies into the evolution of cooperation also expand on how norms and metanorms can actually influence the cooperation process, thus adding an extra ideational dimension to an otherwise rational and material analysis. This section also draws some initial parallels between the ideas various IPE theories forward in condition required for cooperation and combines it with Axelrod's proposals. Most importantly, it poses the critical question of why some types of cooperation appear to be more suited to bilateralism while others are more suited to multilateralism.

The second section specifically compares Axelrod's ideas on cooperation and compares and contrasts it to that of IPE theories. The section proposes that Axelrod's propositions on cooperation both confirm and add to the IPE theories. Most importantly, Axelrod provides some explicit ideas on how cooperation can proliferate, a task which this thesis argues traditional IPE theories have not yet fulfilled. This section goes on to list some of the important factors for cooperation or defection.

The final section analyses cooperation and generates a set of questions and proposition to further our understanding on cooperation and interregionalism. A matrix set of ideas on cooperation resulting from a combined approach to neorealism, neoliberal institutionalism and Axelrod's findings on cooperation is proposed as an analytical tool means for the investigation of cooperation. This section also focuses on the empirical relevance of this research and areas which might be used as pilot studies to test the framework, including the EC's bilateral and multilateral relationship with Japan, the ROK, and China.



## *Axelrod's Understanding of Cooperation*

While IPE theory serves as an important foundation for understanding cooperation, the ideas provided in the individual theories can often be far from explicit. The previous chapter brought together the ideas proposed by neorealism, neoliberal institutionalism, and social constructivism within IPE's central problematic (nature of the actor, the nature of the GPE, and the nature of actors' interaction within the GPE) in order to gain an understanding of how cooperation might work in the international system. This understanding of cooperation based on IPE problematics is essential, but this research further attempts to solidify our understanding of cooperation through the use of Robert Axelrod's extensive research on the nature of cooperation.

The additional use of Axelrod's ideas on cooperation provides an extra dimension to IPE theory because it offers a relatively objective means in understanding cooperation. In essence, IPE theories are subjective in nature due to its uses of inclusions and exclusion as well as the manner in which the respective theories relegate some issues to secondary importance. It is also important to remember that social constructivism does not make propositions, but provides an analytical framework which urges us to think of an actors' causal and social knowledge.

Axelrod's use of computer simulations to gain an understanding of cooperation avoids inclusions and exclusions, and allows for objectivity and explicit propositions in a manner in which IPE theories cannot achieve. Axelrod specifically explores the various means to understand cooperation through analysis of the nature of the actors (which Axelrod calls players), the context for cooperation, and the conditions which would lead to cooperation. Through Axelrod's methods, some very explicit propositions are made on when actors will decide to cooperate or defect.

The following parts discuss how Axelrod's work can be used to expand on the proposition that bilateralism is closely linked to materialism as well as the manner in which multilateralism is bound to be infused with ideas.



## Two-Player Games and Materialism in Axelrod's Evolution

In the previous Chapter, neorealism and neoliberal institutionalism was noted for, among other issues, its focus on rational actors seeking material gains. Clearly, the pursuit of material gains has become a key focus of actors within the GPE and the manner in which actors attempt to achieve material gains dictates how cooperation evolves. This section examines Axelrod's early work on the Evolution of Cooperation and the strategies generated from the two-player game under the Prisoner's Dilemma scenario in order to see how two actors interact to achieve these material games.

Axelrod's seminal work on the Evolution of Cooperation is capable of explaining, at a basic level, reasons two actors would cooperate with each other. In Axelrod's analysis of the Prisoner's Dilemma where two players<sup>6</sup> were engaged in a scenario where they could either cooperate or retreat, computer simulations indicated that reciprocity was the rule which allowed for most gains by the other player. In other words, the only means for maximum yields is for two players to cooperate with each other (1984).

**Table 4: The Prisoner's Dilemma (Axelrod 1984:8)**

Row Player	Column Player		
		Cooperate	Defect
	Cooperate	R=3, R=3 Reward for mutual cooperation	S=0, T=5 Sucker's payoff, and temptation to defect
	Defect	T=5, S=0 Temptation to defect and sucker's payoff	P=1, P=1 Punishment for mutual defection

The main focus of Axelrod's work in the two-player game, under the Prisoner's Dilemma, is how reciprocity is a critical factor for cooperation. It appears that Axelrod's most valuable contribution to the field is not in the area of game theory, but in the "focusing of attention on the importance of evolution in selecting equilibrium from multiple possibilities" (Binmore 1997). In other words, the conditions for cooperative play are the main focus of Axelrod's work, and a large portion of the findings indicate that reciprocity will

<sup>6</sup> In Axelrod's computer simulations, those involved in the cooperation process are referred to as 'actors'.

encourage cooperation (Hoffman 2000:4.3). Axelrod, of course, accepts that there are multiple possibilities, but the Evolution of Cooperation as well as other subsequent research indicates that an “evolution of cooperation”, or circumstances whereby cooperation is more widely visible than defection, is observable in a wide variety of circumstances, even if defection could also evolve in the reiterated Prisoner’s Dilemma (RPD) (Hoffman 2000:4.1).

The first point of overlap between Axelrod’s work and that of neorealism and neoliberal institutionalism is that the actors are operating under anarchy. Axelrod proceeds to discuss that in a world where individuals who pursue their own self interest without the aid of a central authority are analysed, cooperation can begin even with the tendency of egoists tend to retreat from cooperation. Under a computer simulation model, the most successful strategy emerging was the TIT FOR TAT strategy. The strategy was one where a player, faced with the choice of either cooperating or retreating, basically reciprocated the actions of the other player. In other words, the TIT FOR TAT player would begin by cooperating and continuing to cooperate for as long as the other player continues to cooperate. If the other player retreats, the TIT FOR TAT player would also retreat and continue to do so until the other player cooperates.

Cooperation, Axelrod states, can only be initiated by “a cluster of individuals basing cooperation on reciprocity” rather than by scattered individuals (1984:21). His research concluded that strategy-based reciprocity can thrive in a world where many different kinds of strategies are being tried and that cooperation based on reciprocity can be sustained (Axelrod 1984:21). The lack of reciprocity, on the other hand, will lead to defection. Success in cooperation is characterised by the avoidance of unnecessary conflict, provocability<sup>7</sup> in face of uncalled for defection, forgiveness after responding to provocation, and clarity of behaviour. These are features clearly displayed in the success of the TIT FOR TAT strategy (1984: 20).

While it is tempting to completely commit to Axelrod’s KISS (“keep it simple, stupid) principles (1997: 5)<sup>8</sup>, the Prisoner’s Dilemma can be

---

<sup>7</sup> Provocability is a state when actors intentionally take specific measures to retaliate against defection.

<sup>8</sup> Axelrod states that the KISS principle is vital because researcher and audience have limited cognitive ability. When an unexpected result shows up, Axelrod argues that it is “helpful” to be confident that



considered to be lacking in an increasingly socialised world and perhaps more representative of the neorealist and neoliberal institutional schools. In the Prisoner's Dilemma, two players, apparently without personality, beliefs, values, or norms, are developing a relationship apparently under a vacuum social context. The only premises for cooperation are a stated maximum gain in benefiting from the relationship through two types of decision: to cooperate or to retreat. The only proposed gains are measured in numbers, indicating that the players had either lost or won relative to the other player in this Prisoner's Dilemma. This focus on material interest and gains, to a degree, replicates the focus on relative gains and absolute gains in the neorealist and neoliberal institutionalist schools, respectively.

Apart from the focus on anarchy and material gains, Axelrod's work on the two-player Prisoner's Dilemma draws comparisons to neorealism and neoliberal institutionalist through its inherent concentration on rationality in a usually fixed environment. Players in the Prisoner's Dilemma bases decisions on rationality and assumption of rationality, conditions which are not always representative of the functioning of the real world. Only recent accounts of research on cooperation have included a world of "adaptive agents" which indicate that even a fully rational player needs to take into account that other players could be experimenting rather than optimising. In addition, Axelrod states that computer simulations, which involve different sets of strategies, offer a rich possibility for checking the effectiveness of strategic ideas in environments that are highly diverse (Axelrod 2000:13). This means that in future research, environmental variables could be introduced to the cooperation simulations in order to see how rational actors would react to changes in the environment.

Despite its simplicity and incomplete nature, Axelrod's Evolution of Cooperation theory offers an invaluable insight into reasons two players might be persuaded to cooperate with each other. It also offers a means to understand how a player might act under certain types of situation, why cooperation could rise or fall, and how cooperation could be promoted.

---

they understand everything that went into the model. The assumptions constituting the agent-based model, he argues, should be simple.



Deriving from the given examination on two-player game in the *Evolution of Cooperation*, a number of key points can be made. First, reciprocity appears to be the key to a successful cooperation process with retaliation as a necessary alternative should cooperation break down. The tendency for cooperation appears to be greater because in the long run, defection has proven to be unrewarding (Keohane 1984, Axelrod 1984). This, however, does not mean that states will not defect from cooperation. Despite the risk of both sides losing out from mutual defection, a state in pursuit of its best interest would rather risk having both sides lose from the relationship than being the only side losing out in the relationship.

Secondly, there are some very clear areas of overlap between Axelrod's findings in the *Evolution of Cooperation* thesis and traditional IPE theory with the principles of rationality and material gains. Actors are first and foremost, rational, and are trying to achieve the best cooperation strategy in order to thrive in an anarchical environment. This shows that in the two-player game, some of Axelrod's principles on cooperation can be very relevant to the assumptions made in neorealism and neoliberal institutionalism.

Thirdly, a link appears to be emerging between bilateralism and the pursuit of material interests. In Axelrod's two-player game, it is clear that the evolution of cooperation is very strongly stimulated by the desire to maximise gains between the two players. As mentioned in Chapter 2, neorealism favours bilateralism as the best means to achieve material gains as well. Even the most critical theorists against neorealism and neoliberalism find it difficult to refute the fact that materialism and individualism are major factors in international political economy, while the state can often remain a strong force. In other words, even though it is true that the world is an indisputably socialised place, states still play an extremely important role and vested interests are still an integral part of the integration process. In Ruggie's definition on bilateralism, where it explains that it is "premised on specific reciprocity, simultaneous balancing of specific quid pro quos by each party with every other at all times" (1992:11), traces of the power and interest reminiscent in neorealism and neoliberal institutionalism theories continue to remain. Neoclassical theories may have failed to explain the particular

“construct” of actors, but appears to have done a sufficient contribution in explaining the status quo of the world as it is.

Finally, it is important to note that Axelrod's computer simulations take place under laboratory-like conditions. In other words, the two-player games are not subject to outside influences and the actors are usually perfectly rational. The actors' only aim in these simulations is to find a strategy which benefits them the most, and the most important variable is whether to cooperate or to defect. This is hardly representative of the real world, although these laboratory-like conditions provide insights on cooperation which can be far more explicit than that of IPE theories.

### *N-Player Game, Codes of Conducts, Norms, and Values in Axelrod's Evolution*

Quite clearly, the spirit of cooperation in the global political economy has become increasingly embodied in the idea of codes of conduct, norms and values. These factors combine to form a highly ideational factor in international cooperation, quite unlike the traditionally powerful material factors such as power and interest espoused by the rational school of thought. Axelrod's early work on cooperation concentrated mainly on the reiterated prisoner's dilemma in a two person game, a simulation which yielded results which are perhaps more linked to neorealism and neoliberal institutionalism. This part points out ideational factors for cooperation which become more prominent in Axelrod's latter work on more complex simulations involving multiple players. An explanation is made to illustrate how his findings help to support the idea that codes of conduct, norms, and values are indispensable in the evolution of cooperation. Links are then made to the relevance of Axelrod's findings to social constructivism.

In 1997, Axelrod extended his work on cooperation into the field of complex environments, where there were more actors than just the two as was presented in the Prisoner's Dilemma. The strategies which evolved were remarkably similar to TIT FOR TAT. The pattern was for cooperation to continue after three mutual acts of cooperation, defection when the other



player defects out of the blue, continuation of cooperation after the cooperation has been restored, cooperation when mutual cooperation has been restored after an exploitation, and defection after three mutual defections (1997:20). In a study of cooperation in the presence of noise, where misunderstandings are rampant and the other players' intentions are often ambiguous, Axelrod found that reciprocity continues to be the most effective strategy, as long as it is couple with either generosity or contrition. Termed "Generous TIT FOR TAT" players need to learn to sometimes cooperate when he would usually defect while "CONTRITE TIT FOR TAT" learns to cooperate after the other player defects in response to one's own defection. Generous TIT FOR TAT is expected to be most effective when the population is not adapted to the existence of noise, while Contrite TIT FOR TAT is likely to be useful under a situation when the population is used to noise, since it allows players to correct its own errors and bring back mutual cooperation very quickly (Axelrod 1997: 38).

Interestingly, Axelrod also found that in a quarter of his simulations under a complex environment, the median rule (where the strategy was to randomly cooperate or defect) managed to gain more effectiveness than TIT FOR TAT. In the simulations, the player populations managed to devise a strategy which exploited one of the other eight representatives while achieving less cooperation with two other representatives. In other words, the player managed to 'free-ride' on other cooperative players without getting singled out as a defector. The net effect, Axelrod explains, is a gain in effectiveness. To do this, however, the player needed to be able to identify another player based upon only the behaviour another player shows. The players following this strategy must also be able to adjust its own behaviour to take advantage of another player which appears vulnerable to exploitation. Finally, this strategy needs to be able to exploit discriminately without "getting into too much trouble with the other representatives" (Axelrod 1997:21). In summary, the only way to possibly beat the TIT FOR TAT strategy in a complex environment is to stop being "nice", which means that the most highly effective rule is to always defect on the very first move and sometimes, the second move as well. The highly effective rule also had to learn to "apologise" to other representatives in order to get mutual cooperation and to have a response



which allowed them to exploit an exploitable representative (Axelrod 1997:21). This scenario shows a possible way for a unitary actor to take advantage of the global political economic system, although the difficulties in doing so are clearly detailed.

Axelrod's studies in cooperation through computer simulations appear to embed several of the ideas observable in IPE theory, particularly that concerning a generalised principle of conduct, rules and principles. Ruggie states that a feature which makes regimes multilateral in form, beyond quantitative factors, is the fact that the regimes roughly reflect the proper generalised principles of conduct. In multilateral trade regimes, for example, MFN treatment has rules on reciprocity in tariff reductions, application of safeguards, and collectively sanctioned procedures (Ruggie 1992: 13). He goes on to argue later that "system of states is embedded in a society of states which includes sets of values, rules, and institutions that are commonly accepted by states and which makes it possible for the system of states to function" (1998: 11). Keohane's early work on liberal institutionalism stated that states were constrained from fully pursuing their own vested interests because of the formation of institutionalised arrangements which contain their own set of rules and principles (1984: 67). Wendt adds a further dimension to this by stating that interests are largely constituted by ideas and that social systems are also structured by the distribution of knowledge (1999:189). He also argues that the structure of the contemporary international system "contains a lot of culture" and that culture is deeply embedded in how both statesmen and scholars understand the nature of international politics (Wendt 1999: 190).

It is particularly in the area of promotion of cooperation that Axelrod touches on values and ideas. According to Axelrod, promotion of cooperation can occur by ensuring that continued contact with both players will continue, changing the payoffs, teaching people to care about each other, teach reciprocity, and improve recognition abilities (1984). Axelrod points out that the role of social structure in supporting cooperation based upon reputations (whom informs whom of what), when social structure is favourable, means that cooperation based on reputation can be sustained even when two players may never meet again (2000: 19). In his earlier work as well as later analysis,

Axelrod also indicates that cooperation can be sustained when the “shadow of future” is considerable, meaning that two players would be more conducive to cooperation when they feel that they might meet again in the future (1994, 2001a). A notable piece on Evolution of Cooperation without Reciprocity also revealed that cooperation can arise when agents donate to others who are sufficiently similar to themselves in some arbitrary characteristic. This “tag based donation”, based on markings display, or other observable traits, can lead to emergence of cooperation among agents with only rudimentary ability to detect environmental signals and no memory of past encounters (Axelrod, Cohen, and Riolo 2001: 441-443). This piece clearly indicates that cooperation could also take place without reciprocity when one player sufficiently “believes” in another player enough to cooperate with him.

At this point, it is rather clear that it is in an actor’s best interest to cooperate. It is, however, not merely an issue of power and interest which persuades two actors to cooperate with each other. Even under simple concepts such as the two-player Prisoner’s Dilemma, issues such as reputation, player characteristics, and trust (Axelrod 2001: 7-8) indicate that some generalised principle of conduct takes place. Apparently, even when actors are involved in a two-player game, they can also be confined to the system of generalised principles of conduct which is inherent in multilateral cooperation and institutions. It is important to note, however, that a generalised principle of conduct does not add up to construction of values and norms. In the case of two-player games, a code of conduct could be considered to be based largely on material values and common sense. In other words, the most principle code of conduct is for a player to cooperate or to risk being punished for defection and losing out in the net gains of a bilateral relationship.

Given that there exists a “system of generalised principles of conduct”, Axelrod’s Complexity of Cooperation theory appears to add to our understanding of cooperation. In general, the “best strategy” is for players to stick to rules which would promote cooperation in a two player game. This includes continued cooperation while cooperation is reciprocated, defection immediately after another player’s defection, forgiveness after cooperation has been restored and forgetting when mutual cooperation has been restored



after an exploitation. Defection as a response to repeated defection by other players is also an essential rule, and once again reflects the need for reciprocity and provocability (Axelrod 1997:20).

This complexity of cooperation theory, which incorporates a n-player game instead of a two player game, appears to illustrate the fact that norms do evolve during a n-player game where players are allowed to punish individuals who do not cooperate. A result in one of Axelrod's findings is particularly indicative of how norms will dictate whether cooperation will be sustained in a multilateral environment. In a computer simulation, the player being punished for not cooperating in a n-player game would become less "bold" due to the punishment incurred. The player would, however, become bolder as soon as he/she finds out that some players forgave him/her, simply because those players felt that there was no direct incentive to pay the enforcement of punishing a defection. Eventually, punishment would become scarce, and the defecting player's boldness would increase again, while the cooperative norm would eventually collapse (Axelrod 1997: 64-65).

Axelrod eventually found that designing a "metanorm", treating the failure to punish a defecting player as a defection from the society's codes of conduct in itself, would promote and sustain and promote cooperation (1997:65). It remains to be argued whether such a metanorm already exists in the global political economy, but this finding in itself, reveals that the sustainability of cooperation is largely dependent on the norms, or as Ruggie similarly argues, a "generalised principle of conduct", which the global social system upholds.

The ideational factors explored in this part need to be taken into consideration for a comprehensive analysis of cooperation in the GPE. Clearly, material factors such as relative gains, national interest, and power are not the only elements which would encourage international cooperation. Despite Axelrod's rational approach to the interaction of actors in the GPE, his findings indicate that absolute gains, identity, and efficiency consideration rate also rate highly in the evolution of cooperation.

The importance of individual actors appears to become more diffused when an analysis on the multilateral level is made. Axelrod's n-player game also shows how an individual player would be powerless to stop another

individual player from exploiting a multilateral relationship. In such cases, it has been proven that only the cooperation of multiple players in mutually punishing a defecting player would sustain cooperation.

Some important points emerge from this discussion. First, ideational factors covering codes of conduct, values, and ideas are critical to cooperation among nations under several circumstances and are certainly more observable in multilateralism than in bilateralism. Findings from Axelrod's n-player game clearly help to accentuate the point that when multiple actors are involved, ideas, codes of conduct and values become extremely important for cooperation to take places successfully. This makes a multilateral relationship less prone to mutual defection than in a bilateral system due to its inclusion of sets of ideas, values and norms which are designed to sustain cooperation.

Secondly, there are clear parallels between Axelrod's later research and the focus on ideas, values, and codes of conduct which are observable in social constructivism and, to some extent, neoliberal institutionalism. In Axelrod's n-player games, ideas clearly play a major role in sustaining cooperation and varies anywhere from collectively punishing a defector to multiple actors treating failure to punish defection as an act of defection in itself. Familiarity and trust between actors are also important to promote cooperation.

Thirdly, reciprocity is still a major condition for successful cooperation, although its importance becomes more diffused in a multilateral cooperation process. The presence of ideas, values and codes of conduct appear to serve as the minimum requirement for cooperation and often implies reciprocity within itself. This also means, however, that in multilateralism, certain actors can get away with free-riding. It is important to note that in a GPE governed as much by ideas as interests, institutions and norms play a crucial role in governing against arbitrary defection and exploitation of the multilateral cooperation process. Interests also cannot be construed as "given", since interest means different things to different states. As such, it may not be easy to spot defection, although generalised principles of conduct accepted within the present GPE will go a long way to assess an actor's cooperativeness. There is also more "noise" in a multilateral relationship, and the possibility of



sustaining a relationship between two parties is far easier than in an n-player relationship where much more tolerance is expected from the players.

### *Axelrod's Ideas on Cooperation and Traditional IPE Theories*

Axelrod's study of the two-player game as well as the n-player game places his research in the important position of having considered cooperation in both the bilateral and multilateral dimensions. The conclusions to his research on the evolution of cooperation and the complexity of cooperation also puts forward some important ideas on actor's pursuit of material gains against the importance of ideas in sustaining cooperation. Quite clearly, Axelrod's earlier work on the two-player game placed a stronger focus on material gains while the latter work on the n-player game under complex environments made some very significant references to ideas, values and codes of conduct.

Axelrod's specific propositions on cooperation can be divided into four dimensions, all of which provide further insight into the nature of cooperation. The first dimension is individualist and materialist, where two actors interact in a reciprocal manner in order to maximise gains and somehow sustain cooperation at the same time. The second dimension is individualist and ideational, where two players interact in a similar manner but also makes use of codes of conduct, familiarity, and trust to sustain cooperation. The third dimension is holist and materialist, with multiple players engaging with each other in a complex environment to achieve material gains. In this dimension, it is expected that there would be much more noise, and even though reciprocity is expected, actors will try to find room to free ride. The fourth dimension is holist and ideational, where multiple players make full use of ideas to create and promote a culture of cooperation.

**Table 5: The Four Dimensions of Axelrod's Principles of Cooperation**

	Material	Ideas
Individualist	<ul style="list-style-type: none"><li>• Actors interact within the Prisoner's Dilemma</li><li>• TIT for TAT implies that reciprocity is a must for cooperation to take place</li><li>• Lack of reciprocity can lead to defection</li><li>• Less noise</li></ul>	<ul style="list-style-type: none"><li>• Principle code of conduct is to cooperate or to risk being punished</li><li>• 'shadow of future' or familiarity and trust between actors can enhance the chance for cooperation</li><li>• Tag based donation shows that belief and trust in another player is enough for cooperation, even if there is no promise of reciprocity</li></ul>
Holist	<ul style="list-style-type: none"><li>• Use of TIT for TAT strategy from the two player game is still one of the most effective techniques</li><li>• Complex environments are much noisier than the 2 player Prisoner's Dilemma</li><li>• Reciprocity is expected and still the most effective strategy, but there is more room for 'free riders'</li></ul>	<ul style="list-style-type: none"><li>• a singular defecting actor will become less bold if he/she is punished for defecting</li><li>• treating failure to punish defecting player as a defection from the society's codes of conduct will promote cooperation (metanorms)</li><li>• cooperation of multiple actors are needed to mutually punish a defecting actor</li></ul>

Understanding these four dimensions is important because it clarifies how Axelrod's propositions on cooperation can be linked to bilateralism and multilateralism, on the one hand, and materialism and ideas, on the other hand. Unlike in the IPE theory discussed in Chapter 2, Axelrod does not clarify the 'degree' of materialism or idealism required to sustain cooperation. Axelrod only treats materialism and idealism as relevant as important dictators to the outcomes of both two-player and n-player games. This is in contrast to neorealism, for example, where material interests are considered to be highly important to the cooperation process or to social constructivism, which argues that ideas are most highly significant in actors' interaction with each other. Highly notable is how institutions appear to be irrelevant in Axelrod's analysis, although one might argue that multilateral institutions often have a high level of ideational principles embedded into its foundations.



**Table 6: Axelrod and IPE's Factors for Cooperation**

	Neorealism/ Neo- Mercantilism	Neoliberal Institutionalism	Social Constructivism	Axelrod
Materialism	High	Medium	Low	Relevant (dictates outcomes i Prisoner's Dilemma as well as variation of 2 player games)
Idealism	Low	Medium	High	Relevant (dictates outcomes, particular in n-player games)
Institutions	Low	High	Medium	No mention
Mode of Cooperation	Bilateral	Bilateral or Multilateral	Bilateral or Multilateral	Bilateral or Multilateral

When considering the nature of actors, the nature of the GPE and the nature of actors' interaction within the GPE, Axelrod's research on cooperation both confirms and adds to the insights present in IPE theory. The actor is not only rational, but also possesses an ability to remember and learn from past interaction. This 'learning' process combined with rationalist links back to propositions made by neorealism and neoliberal institutionalism as well as social constructivism. This suggests that while actors may act rationally, they are dynamic in nature and their behaviour will evolve according to how they learn and remember.

The nature of the GPE, in Axelrod's perspective is anarchic, but unhierarchical. In other words, not unlike neorealism, actors are born equal and free to pursue any cooperative strategy they prefer. Rules, however, do evolve over the course of an actor's interaction with others and this could well lead to hierarchy or an order of some sort. These ideas are not in contradiction and actually support the assumptions made on the nature of the GPE by IPE theories.

Axelrod's ideas can be applied very explicitly in the treatment of nature of actors' interaction within the GPE. According to Axelrod's various computer simulations, cooperation and reciprocity are usually rewarded, and while absolute material gains is the main aim, sustainability of cooperation is even more important for an actor's survival. Hence, ideas, values, and codes of conduct have proven to be important factors, even in Axelrod's computer simulations, to sustain cooperation. This mixture of the desire for material gains balanced with ideas make for an interesting combination of the insights

on cooperation presented by the neorealist and neoliberalist school against the social constructivists.

Table 7: Axelrod and IPE's problematics

	Neorealism/ Neo-Mercantilism	Neoliberal Institutionalism	Social Constructivism	Axelrod
Nature of Actor	Focus on States, Equal Under international law, and rational	States key, but also existence of societal actors working under multiple channels, institutions, and organizations	Actors based on ideas and structures relating to agents (agents produce structures and structures produce agents)	Rational with an ability to remember and learn from past interaction
Nature of the Global Political Economy	Anarchic, hierarchical (according to hegemonic stability)	Anarchic, hierarchical	Anarchy is what states make of it	Anarchic and 'noisy', unhierarchical, but with evolving rules
Nature of Actors' Interaction within the GPE	Initiated by states, Maximise national interest, relative material gains	Maximise national interest – often where actors have mutual interests, absolute material gains	Normative structures and ideas shape how actors interpret and construct their social reality as well as their identity and interests	Cooperation and reciprocity are usually rewarded and defection is punished, absolute material gains is usually best while relative gains imply 'free-riding' and defection, ideas are present to sustain cooperation
Ideas versus Structures	Individualist and Materialist	Holist and Materialist	Holist and Idealist	Can vary from individualist and materialist to holist and idealist

### Cooperation or Defection – A Puzzle for IPE

The principles of cooperation versus defection within the multilateral and bilateral forms of cooperation are areas of research which would yield several further insights into how the global political economy functions. Most of the theoretical work on cooperation offers the point of view that cooperation does take place, although specific analysis on the rise and fall of cooperation in various areas of policy has been ambiguous at best. There are specific rules for sustaining cooperation, as can be seen from Axelrod and Keohane’s work on cooperation. Ruggie and Wendt offer suggestions on how ideas and institutionalism provide a means of constructing multilateral frameworks which would help to enhance a multilateral cooperation. Despite this knowledge, and a general cognition by policy-makers about the best practice for cooperation, inter-state relationships often go through patches of rises and falls in the level of cooperation.



Further questions are raised when one acknowledges that the evolution of cooperation takes place in the dimensions of bilateralism and multilateralism. Interestingly, bilateral cooperation can rise proportionally to multilateral cooperation or inverse proportionally. In other words, these two forms of cooperation appear to function relative to each other in the global political economy. Multilateral cooperation appears to encourage further bilateral cooperation, while multilateral defection on the part of a state could result in either mutual defection, or bilateral cooperation.

Rises and falls in cooperation of such a nature appear to be a direct function of the materialism versus idealism debate and respective policy areas involved in the cooperation process. It appears that in areas where important national interests are at stake, materialism could be considered to be the more important value. Elsewhere, particularly where high politics or crucial economic interests are not involved, idealism could take over priority and nations will appear to function on a level of norms, values, and generalised principles of conduct instead. This would explain why two states which have failed to cooperate on a multilateral level can become obligated to cooperate on a bilateral level instead. In areas of policy where there are no conflicts, it is possible for multilateralism and bilateralism to mutually thrive. Likewise, in rare cases where two nation have conflicting interests, and have no means of reconciliation and negotiating the interests, the cooperation process fails completely and mutual defection at all levels of cooperation may take place.

The pattern of rises and falls in cooperation is also a particularly interesting research area. Few relationships continue infinitely without such patterns which show increases and declines in a partnership's ability to cooperate. Here, it appears that internal and external factors affect the willingness to cooperate of both actors. These could range anywhere from evolving nation-states, fluctuations in the global political economy, to issues such as the inability to understand each other<sup>9</sup>. Within each of these cases, ideational and material factors, likewise, will affect the ability to cooperate of a nation-state. As a result, the multilateral and bilateral cooperation status will also be consequently affected, resulting in a rise or decline of cooperation.

---

<sup>9</sup> Axelrod would classify this as "signaling problems" or "noise".

These are all important observations on the nature of cooperation derived from IPE theories and Axelrod's research on cooperation. They are, however, scattered and ad hoc accounts of insights to cooperation and do not present a unified means of understanding cooperation within itself. The next section proposes a set of questions and propositions which combine the principles of IPE theory and Axelrod's understanding of cooperation to address the various balances, qualities, and forums within a cooperation process.

### *Conceptual Problematics Arising from Theory and Empirical Framework*

As previously argued, present theories on cooperation are relatively inflexible due to its uses of inclusions and exclusions and often limited in its abilities to examine the forms of cooperation which exist in today's global political economy. While offering several pertinent insights into reasons states cooperate, IPE theories struggle to comprehensively explain various patterns of cooperation going on in the world. Ultimately, theorists on cooperation might best admit that some theories explain some types of cooperation better than others. The various types of cooperation which exist in the global political economy are plentiful, and so varied that in the end, they could be used to prove each theory as accurate.

Before considering the problematics arising from theory to analyse the evolution of cooperation, one must note the core balances within this thesis. The first balance is between the modes of cooperation, bilateralism and multilateralism. The second core balance is between the pursuit of material interest, the pursuit of values and ideas and the mediating role of institutions. According to extractions of IPE theories made in this research, these are the two core balances which dictate the mode of cooperation, conditions for cooperation, codes of conduct in the relationship, and the fluctuations of cooperation or defection. In other words, how cooperation evolves strongly depends on the manner in which the actors involved choose to balance



between bilateralism and multilateralism (on one hand) and material interest, institutions and shared ideas (on the other hand).

This research, extracting from ideas on cooperation from major IPE schools of thought, explores the suggestion that bilateral cooperation could be mostly based on materialism and can be explained, to a large extent, by the Prisoner's Dilemma framework. Issues such as the relative power and status of the states involved as well as quid pro quo (TIT for TAT) action can determine how well or how poorly the bilateral cooperation process develops. In contrast, values, ideas and codes of conduct are suggested to be more relevant in multilateralism where such ideational elements are expected to be more achievable than mutual material interest. As suggested by social constructivism, neoliberal institutionalism, and Axelrod's evolution of cooperation, this is due to clear and binding rules, collective pressure on inherently uncooperative states, as well as clear signs of how the accepted norms have developed at an international level.

These key propositions suggest that the best scenario for bilateral cooperation may take place where the type of cooperation is based largely on material interest, and the actors involved are functioning on an individualist basis. This assumption is valid when one considers the factors surrounding the cooperative scenario. Actors which are free from the confines of an institution and pursuing a clear and identifiable material interest will do so, providing that the interests are mutual. This is an argument made by neorealists which is highly potent. In contrast, the best scenario for multilateral cooperation occurs when actors are functioning on a holist basis and are cooperating based on ideas, values and codes of conduct. These cooperation principles, based on mutually shared ideas, trust and respect for those involved in the partnership, are more practical in an environment where multiple actors are involved in an anarchic and often confusing environment.

If the mode of cooperation is unclear and the actors are uncertain of whether to pursue material interest or values and ideas, the cooperative scenario can also change. When the vested interests involved are vague, or actors are uncertain of whether to follow the bilateral or multilateral mode of cooperation, chances are that the relationship is more prone to defection than usual. There are several reasons for proneness to defection which includes

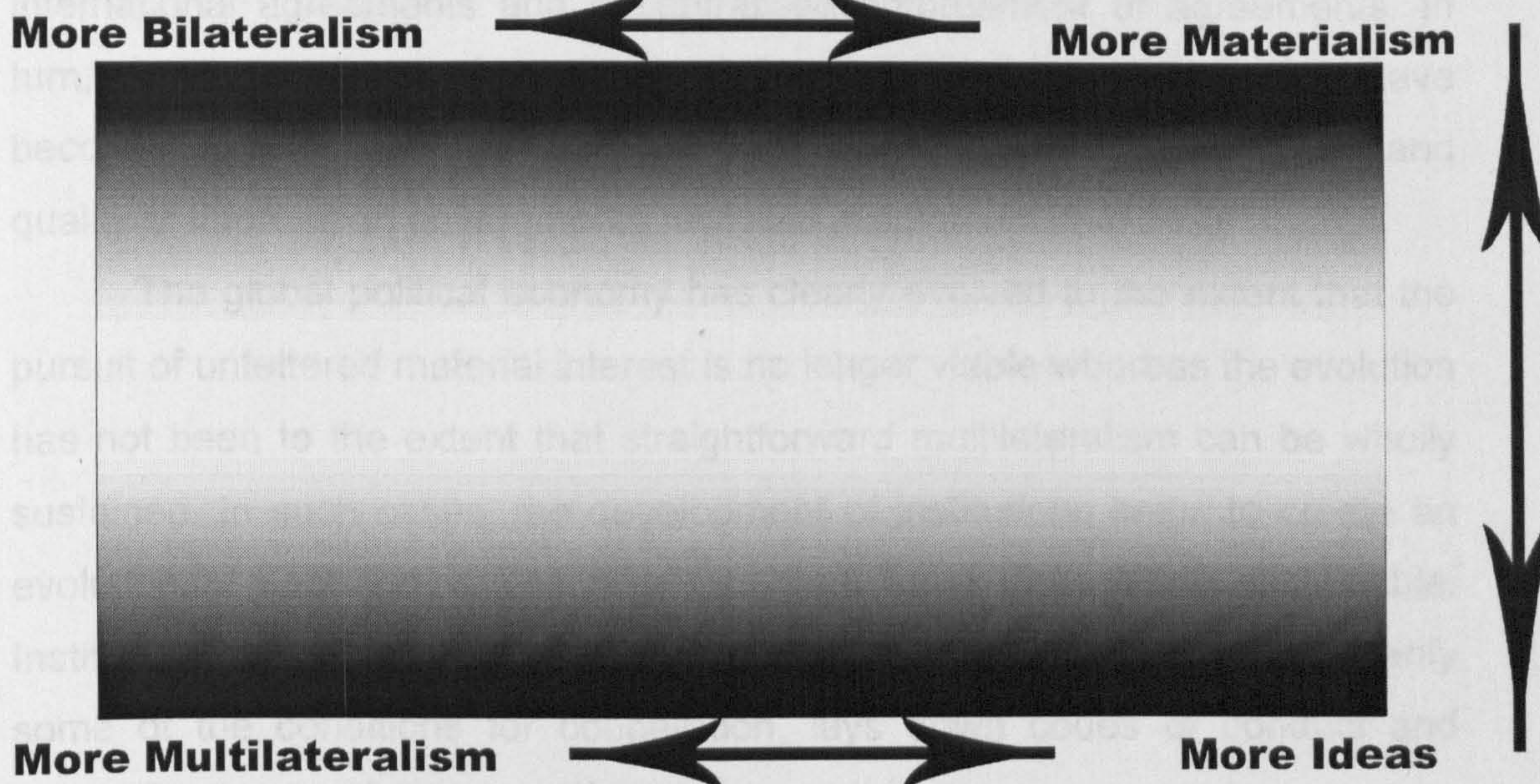
the lack of clarity in the pursuit of the relationship, "noise" from exogenous forces, and the natural tendency of states to defect.

This is particularly interesting, because the scenario supposes that it is not in the extremes of idealism versus materialism, or individualism versus holism that cooperation can actually suffer. Instead, a culture of cooperation is most at risk when the type of cooperation lacks clarity as to which mode of cooperation is being taken and without clear agreements of mutual material interests or shared ideas. In simple terms, if actors engaged in a partnership are unable to determine what their mutual interests are (materially or ideationally) or what mode of cooperation they prefer (bilateral or multilateral), there is a very strong chance that the cooperation process will collapse. A situation where an actor is functioning on its own will, but partially bound by the structures of a multilateral international system can and does take place. This is particularly evident in today's world where international organisations and global interregional institutions such as the UN or the WTO appear to enforce a multilateral structure on the way actors function, but yet have to find a means for enforcement of rules. This could allow some actors to, for example, free-ride by pursuing their vested interests and making use of the international political or commercial rules, while not following the rules themselves.

Similar situations where material interests interfere with idealism also suggest trouble for the evolution of cooperation. These are exemplified by the infamous double-standards, a term widely used to describe both American and European foreign and commercial policy. This is where the distinction between material interest and ideas are vague, and ideas are used as an excuse to either pursue or defect from cooperation. Two actors, or a group of actors attempting to cooperate under circumstances where it is unclear whether the principles are that of material interest or ideational values will often find the temptation to defect too great. Defection in such instances could involve the withdrawal from cooperative means such as abortion of negotiations, retaliatory commercial measures, or referring to an external judicial process.



Figure 2: Varying degrees of cooperation according to modes and interests (darker areas in the box mean more cooperation)



This research also proposes that institutions may be responsible for sustaining relationships in the unlikely grey areas which fall between clear-cut bilateralism and multilateralism and obscurity of mutual interests. Keohane states that institutions are necessary, even on restrictive premises, in order to achieve state purposes (1984:245). According to Ruggie, this means that there is "a certain indivisibility among members of a collectivity with respect to range of behaviour in question", and that successful multilateralism breeds diffuse reciprocity, meaning that all members gain "rough equivalence of benefits in the aggregate over time" (1992: 11). It is perhaps no surprise that Ruggie's qualitative assessment of multilateralism corresponds to Axelrod's quantitative findings, where it can be deduced that cooperation is not a zero-sum game, and a group of players holding a metanorm would eventually be able to sustain cooperation, yielding relatively high benefits to all cooperative players.

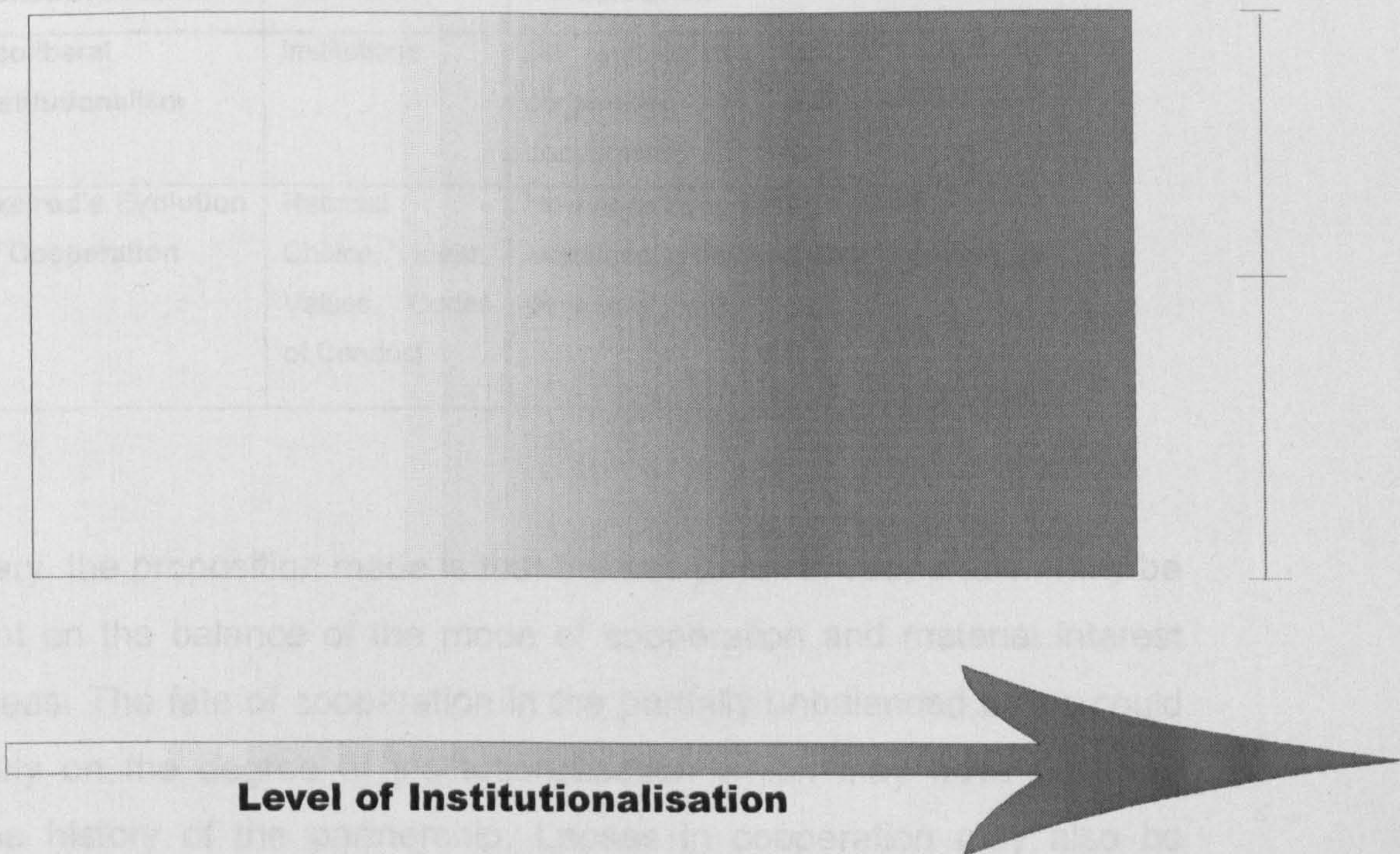
It is quite clear that power, interest, values, ideas, and principles of conduct have become increasingly governed by institutions. Institutions initiated through cooperation today facilitate interstate agreements and provide a structure in which states can make use of in pursuit of their interests through cooperation. It appears that in the face of Cold War American hegemony, an evolution of cooperation of sorts has emerged in the existing



international regimes that have created quasi-governments which facilitate international agreements and decentralised enforcement of agreements. In turn, cost of transactions has been reduced, multilateral negotiations have become more orderly, and there has been an increase in the symmetry and quality of information governments received (Keohane 1984: 244).

The global political economy has clearly evolved to the extent that the pursuit of unfettered material interest is no longer viable whereas the evolution has not been to the extent that straightforward multilateralism can be wholly sustained. In such cases, the development of institutions helps to create an evolution of cooperation which is less than ideal, but clearly sustainable. Institutions help to provide some direction for the mode of cooperation, clarify some of the conditions for cooperation, lays down codes of conduct and suggest outcomes for cooperation.

**Figure 3: Level of Institutionalisation (darker areas in the box mean more cooperation)**



This research also suggests that due to the institutionalisation of relationships, the mode of cooperation can be mixed, which could lead to an either predominantly bilateral or multilateral relationship. It is in the grey areas of cooperation, where there is an imbalance in structure and interest that



Axelrod's study on cooperation also becomes invaluable. As mentioned earlier success in cooperation occurs through the avoidance of unnecessary conflict, provocability in face of uncalled for defection, forgiveness after responding to provocation, and clarity of behaviour. Repeated occurrences of conflict and eventually defections from relationships in the GPE often see ties eventually restored and sustained. This signals what Axelrod calls experimenting rather than optimising (2000: 13), and the awareness that other players in the game are also doing the same thing. In such situations, being "nice" appears to be the only way to adopt cooperation, and could serve as an explanation as to why cooperation can sometimes be sustained despite periods of conflict between actors.

**Table 8: Key Questions and Propositions to be Further Explored**

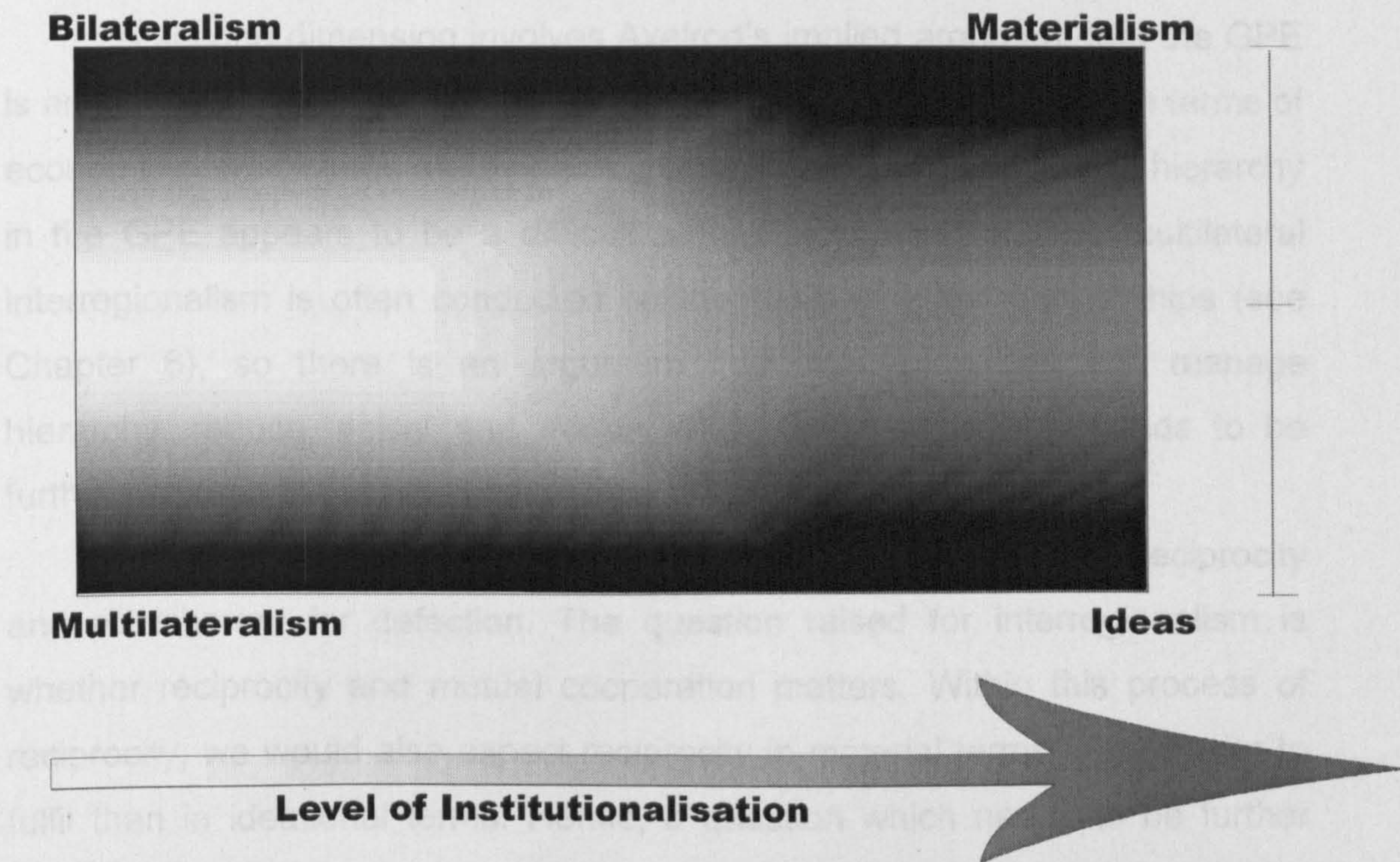
<b>Theoretical Basis</b>	<b>Focus</b>	<b>Insights to IPE Theory</b>
<b>Neorealism/ Neoliberalism</b>	Material Interest	Are material interests more relevant in bilateralism?
<b>Social Constructivism</b>	Ideas	Are ideas more relevant in multilateralism?
<b>Neoliberal Institutionalism</b>	Institutions	Do institutions help in sustaining cooperation in either mode of cooperation?
<b>Axelrod's Evolution of Cooperation</b>	Rational Choice, Ideas, Values, Codes of Conduct	How does cooperation evolve? How is it sustained or revived after defection (or periods of indifference)?

In summary, the proposition made is that the rise or fall in cooperation may be dependent on the balance of the mode of cooperation and material interest versus ideas. The fate of cooperation in the partially unbalanced areas could rest largely on the degree of institutionalisation which may have occurred during the history of the partnership. Lapses in cooperation may also be salvaged through the actors' propensity for avoidance of unnecessary conflict, provocability in face of uncalled for defection, forgiveness after responding to provocation, and clarity of behaviour. The area where cooperation is bound to failure is when there is maximum ambiguity between structure and interest,



where it is unclear whether the relationship is following a holistic or individualistic structure and material or ideational interests.

Figure 4: Determinants of Cooperation (darker areas mean suggest more cooperation)



These initial propositions and questions raised through an eclectic approach to understanding cooperation also brings forward some further questions related to interregionalism as well. The previous Chapter explained how the questions IPE theory and literature on interregionalism raised concerning the nature of the actor, the nature of the GPE, the nature of actors' interaction and the importance of ideas against structures were fundamentally the same. The addition of Axelrod's research on the evolution of cooperation adds extra dimensions to how we might further explore the evolution of interregional cooperation.

The first dimension Axelrod adds to our observation of interregionalism is that actors are rational and have an ability to learn from past interaction. This raises the issue of whether the actors within interregionalism actually care about the development of values, trust, and codes of conduct. This is a question rarely asked by scholars of interregionalism and answers questions about how trust and the development of values, trust and codes of conduct have helped in sustaining various forms of interregionalism would go a long



way into explaining the nature of the actors within interregionalism. In other words, if partners 'remember' past interactions, they will also be able to forgive certain instances of defection more easily, while cooperation is more easily fostered.

A second dimension involves Axelrod's implied argument that the GPE is anarchic, unhierarchical, and noisy, although with evolving rules. In terms of economic power, states are by nature, asymmetrical and the lack of hierarchy in the GPE appears to be a difficult argument to take on. Yet, multilateral interregionalism is often conducted on the basis of equal partnerships (see Chapter 6), so there is an argument that interregionalism can manage hierarchy, reduce 'noise' and evolve rules. Once again, this needs to be further explored in the empirical sections.

The third dimension Axelrod offers is the idea of reward for reciprocity and punishment for defection. The question raised for interregionalism is whether reciprocity and mutual cooperation matters. Within this process of reciprocity, we would also expect reciprocity in material terms to be easier to fulfil than in ideational terms. Hence, a question which needs to be further asked is whether ideas also matter in this interaction of actors within the GPE.

The final dimension which needs to be explored under Axelrod's terms is very directly related to the main questions and propositions raised earlier in this Chapter. Axelrod makes room for the possibility that cooperation can take shape in the form of both 2 player games and n-player games, environments which emulate bilateralism and multilateralism. Axelrod also showed how cooperation in both the 2 player game and the n-player game is sustained through the same principles of reciprocity, values, trust, and codes of conduct. Yet, in the n-player game, which emulates multilateralism, there appears to be more provision for ideas than material interest (see earlier section on Axelrod's and norms), This proposition also needs to be further explored in an empirical context.

**Table 9: Axelrod and Interregionalism**

	<b>Axelrod</b>	<b>Interregionalism: Questions for Further Exploration</b>
<b>Nature of Actor</b>	Rational with an ability to remember and learn from past interaction	Are rational actors affected by past interaction and the development of values, trust, and codes of conduct?
<b>Nature of the Global Political Economy</b>	Anarchic and 'noisy', unhierarchical, but with evolving rules	To what extent does interregionalism manage hierarchy, reduce 'noise', and create rules?
<b>Nature of Actors' Interaction within the GPE</b>	Cooperation and reciprocity are usually rewarded and defection is punished, absolute material gains is usually best while relative gains imply 'free-riding' and defection, ideas are present to sustain cooperation	Does interregionalism require reciprocity and encourage mutual cooperation? Do ideas matter in interregionalism?
<b>Ideas versus Structures</b>	Can vary from individualist and materialist to holist and idealist	How does the nature of interregional cooperation change in its bilateral and multilateral forms?

To further understand the questions and propositions on cooperation and interregionalism, namely the manner in which bilateralism and multilateralism as well as material interests, institutions and ideas may affect the level of cooperation needs to be explored under an empirical context. An empirical observation of these questions and propositions will provide solid grounds for further exploration into these preliminary concepts and is expected to yield further insights, including more questions and propositions. Chapter 4 justifies the use of the EC-East Asian interregional partnership as an empirical test for the key questions and propositions advanced in this Chapter. The Chapter first explains the EC's role as a global and interregional actor. It later elaborates on the uniqueness of the EC-East Asian partnership and suggests how this may provide further insights into cooperation. Finally, it justifies the triangulation and methodology used in the empirical chapters, particularly the combined use of evaluating the material, institutional, and ideational sides of the EC-East Asian cooperation process.



## Chapter 4

### Exploring the EC's Interregional Cooperation with East Asia

This Chapter sets the background for further exploration of the questions and propositions raised in Chapter 3 and focuses on how regionalism and interregionalism as seen in the EC-East Asian interregional partnership might be used to shed further insight into cooperation. It begins with an analysis of the EC's role as a global actor and explains how the EC can indeed act as a unitary actor with its own set of complex policy-making procedures. Subsequently, the EC's motivations for regionalism and interregionalism are analysed. The final section ends with an explanation of the suitability of the EC-East Asian partnership as an empirical 'test' to further investigate cooperation and notes some of the unique features of the partnership which make the EC-East Asian partnership a particularly appropriate test.

#### *The EC as a Global Actor*

Introduction of interregionalism to the equation poses some important questions regarding the role of the EC as a global actor. Since the studies in this research involves analysis from the establishment of a European Community, it is important to note that several of the institutional developments mentioned in this thesis did not take effect until several years since the European Community's conception. This is not problematic for the research particularly because the evolution of the European project means that one could see the gradual transition in the European's external commercial policy form being centred mainly on the member states to a shared one between a largely "supranational" European Commission and a largely "national" European Council. It is also notable that the EC-East Asian relationship did not particularly take off until the middle 1960's, a period when the European institutions began to take shape. By the 1970's the European Commission had been given full competency in matters concerning the EC

external trade relations, meaning that it was given full powers to negotiate on behalf of the member states in international forums.

The EC is considered a 'trading state' which favours establishment of stability conducted internally and externally through institutions and rules (Smith 2004). The EC's institutional arrangements have also been described as 'structural diplomacy' whereby the establishment of institutions and rules might be able to create stability and predictability in accordance with the EC's external aims (Keukeleire 2003). Using Michael Smith's concept of "negotiated order", Forster reaches some salient points in the nature of EC's involvement in external policies. In analysing patterns of relations with the Association of Southeast Asian Nations (ASEAN), part of Forster's conclusions stated that the EC is a "part-formed political system" with power and influence shared between the state governments and the community level. These powers are used to influence policy elsewhere, although the nature of external policies is conservative due to the limitation of consensus requirement among member state governments (2000:789).

Consequently, an analysis of the European Union institutions and policy-making for EC-East Asian relationships needs to be conducted for several reasons. First, an analysis of the EC's 'transgovernmentalism' needs to be undertaken to analyse how member-state influences might affect the EC's institutions and policies. This analysis will also consider how the EC might be considered to be a transgovernmental entity with several state-like features. Secondly, the analysis examines the EC's institutional capacity to cooperate as a coherent single voice in its external relations with East Asia as well as highlight the most important EC institutions in this relationship. Thirdly, the analysis is expected to shed further light into the multilayered nature of the EC and differentiate how the different layers affect the EC-East Asian relationship. Finally, analysis of the EC institutions provides an indication of how they might be better suited for the bilateral or multilateral modes of cooperation. It may also explore the reasons the EC might prefer to enter into one mode of cooperation rather than the other.

To start the analysis, a clarification must be made on who the main actors in the EC might be, particularly after its constant evolution. The first debate is centred on whether the EC is capable of functioning as a traditional



state. The second debate concerns where the power lies between the European Council, representing mainly member state interests, and the European Commission, usually regarded as the guardian of "European" interests. The third debate relates to the second, and considers how each of the institutions is involved in the multilayered nature of the EC's policy-making mechanisms.

Answering the first debate on how the EC functions in comparison with a nation-state is particularly relevant in the discussion of EC-East Asian relations because it guides the direction in which relations are conducted. It is important to note that the EC is not a state, a characteristic which complicates its external relations to a large degree. The characteristics which relate most to the discussion in hand is that the EC can be considered an international actor with state-like features, functioning within a multi-layered policy network system, and generally united in issues of external commercial policy.

The EC is a *sui generis* institution with several state-like features, and its operation has been compared to that of a state government. Even though the EC has functions similar to a state, and has several institutions which resemble the State, it does not mean that the EC entity can always behave in an autonomous manner in direct pursuance of their unambiguous national interests. As a result, the EC's pursuit of either its material or ideational interests should not be regarded as a product of unnegotiated policy-making. To illustrate the complexities involved in EC policy-making and the possible impacts on policy, Collinson describes the EC as an entity with horizontal action between the issue-system (a three level game played between the national, Union, and international levels) which cuts across vertical interaction between different level system (the Commission and the Council developing policies between themselves and within their own hierarchical operating structure) (1999:220). This sums up the nature of the EC rather concisely, also managing to capture the details of the institutional framework, national preferences, and the implied difficulty in reaching a coherent decision, characteristics which may hamper EC relations with East Asia. In addition, the EC is not actually a nation-state, but rather a complex system of governance operating between a regional group of states (Dent 1999:7). Taking this view, the EC would then be classified as a non-state actor which plays an important

role in the global political economy, with affairs which include transnational and transgovernmental factors.

The second debate relates to the first, and centres around the multilayered nature of the EC's policy-making process and the institutions involved. According to Wallace, the active involvement of the European Council in determining the overall direction of policy and the dominance of the Council of Ministers in consolidating cooperation takes an upper hand over the Commission role, and almost excludes the EP and the ECJ from involvement in policy directions (2000:34). This argument has been hotly contested by other schools of European integration, with some arguing that each of the EC's main institutions has varying influence at various levels. Peterson and Bomberg contribute to this argument by distinguishing between history-making, policy-setting, and policy-shaping, and points out that the intergovernmental Council has more influence at the history-making level, while the Commission may control more of the policy process at the other two levels (1999:6-9). In other words, the Council may have the final say in major decisions, but the Commission is undeniably significant as the institute which shapes and forms policy proposals. A satisfactory judgement of this very complex debate seems to be that one institution is often more powerful than the other, depending on the policy area and the interests involved.

As concerns the EC-East Asia bilateral relationship, it is noteworthy how the history-making level has very little importance or relevance as a direct factor affecting the relationship. This effectively places the usually highly influential Council, representing national interest, to the background of the EC-East Asian partnership. It also means that in the area of external trade, the Commission appears to have more control over policies than other institutions making the Commission a very strong player in EC-East Asian relations. This is reflected in the manner in which the EC's strategies with East Asia are dictated through strategies and framework agreements as well as communication produced by the Commission. Throughout the history of the EC-East Asia bilateral relationship, it is also clear that the EC member states appeared to have created a habit of interaction which gives the Commission the primary role in dealing with the EC (see Chapter 4). Although the role of



the Commission is highly active in this relationship, it is important to remember that the decisions eventually need to be agreed by the Council.

History-making decisions, however, have an arguably significant but indirect effect on the EC-East Asia relationship in events such as the creation of the single market or even enlargement. These history-making decisions caused some very serious changes within the institutional setup of the EC and eventually caused ripple effects on the EC-East Asia relationship. The Maastricht Treaty, for example, clearly showed how a coherently functioning EC could increase its effectiveness in international trade negotiations. The single market programme promoted policy collaboration among member government and increased the EC's effectiveness in international trade negotiations. The programme has also allowed third country firms to benefit from regulatory approximation and the application of the EC's mutual recognition principle (Young and Wallace 2000:109). This will be discussed in further detail in the next section.

The third debate relates to the second and first, and considers how each of the institutions is involved in and affected by the multilayered nature of the EC's policy-making procedures. Limitations to the Commission's competency can sometimes be a problem, and sometimes can plague the EC's ability to act with credibility and coherency in the EC-East Asian relations framework. While Articles 133 and 228 gives the Commission exclusive competency in matters concerning external commercial relations as well as grants the Commission with rights to talk to external partners on matters concerning trade, it is still restricted by the fact that they will have to negotiate in accordance with the Council's national positions and that states still exercise informal veto rights at the negotiation mandates and ratifications stages (Woolcock 2000, Meunier and Nicolaidis 2000:331).

There are concerns that this problem of mixed competencies, exclusive versus shared competency, will take away the EC's ability to speak with one voice as well as cause uncertainty and undermine the EC's credibility in global negotiations (Smith 2001:792, Meunier and Nicolaidis 2000:343). It could also affect the nature of the international political economy itself, as "fragmented actors" are believed to be less likely of producing packages of linked deals and are more likely to be protectionist in nature (Meunier and Nicolaidis

2000:331). This appears to have been reflected in the EC's relationship with East Asia, and its conduct of arguably protectionist trade measures. Yet, one could view the institutional struggles and the wrangling between national governments as similar in nature to the US executive and legislative branches, and between the federal and state governments (Jackson 1995:323). From this perspective, one could perhaps argue that the incoherence and uncertainties in the EC-East Asian framework presented by the institutional complexities are not different from any commercial power with such vast resources and that the resulting problems are expected. In sharp contrast, there is also evidence that in the EC's past relationships with East-Asia, member states appear to have been rather willing to give the Commission a relatively free reign to negotiate on their behalf resulting in a very strong negotiating position as well as an increased capacity for stable cooperation.

Although one might expect the European Commission to act on behalf of Europe rather than the individual member states the officials represent, this is not always necessarily the case. According to the neoliberal thesis even where state centric negotiations determine actual outcomes, transgovernmental coalitions may evolve between like-minded officials whose own self-serving interests may not necessarily be aligned to the state they are supposed to represent (Dent 1999:7). Commission officials are a case in point. Comments have also been made indicating that the Commission has multiple accountabilities, and essentially, officials entering the Commission will still be nationals of a member state and brought up in an educational, administrative, and political system which is fundamentally national in direction (Christiansen 1997: 82). Indeed, the cabinets, or the Commissioner's private offices, have long been accused of representing the interest of their respective nations, especially the nation of the incumbent Commissioner (Peterson 2002:87). In similar vein, national courts continue to have a close involvement in the development of Community law (Peterson and Shackleton 2002:360). One does not argue that either the Commission or the European Court of Justice (ECJ) is not committed towards tighter integration, but the fact that individual nationalities have so much to do in the makeup of the institutions illustrates how national sovereignty is far from reduced.



Also, the growth in both the number and scope of international organisations, together with the new interlinkages created by globalisation, have widened the nature of transnational relations and introduced greater complexity to the governance of international economic relations. The implication of this is that although the EC might claim not to have national positions and given the power of transgovernmentalism within the EC, it is inevitable that in its relationship with East Asia, national positions and preferences can be inherent in its negotiating position.

There are several issues to note in the EC-East-Asian relationship stemming from the three debates when mentioning the EC as a single collective body rather than a set of member states. First, the EC is transgovernmental in nature, meaning that it does not have unambiguous national interest which it is continually attempting to pursue. Instead, member-state interests are usually compiled by the Commission and presented as policy under the approval of the Council. The EC's collective agenda can thus be often fragmented and interests are diversified between each of the member-states. This is a poor basis for the pursuit of national interest, which is an assumption under the neorealist school, and could also mean that the EC's capacity to cooperate could be considered to be hampered in certain issues. Secondly and in contrast to the first point, the fact that the EC's common interest in commercial policy is guided mainly by the Commission has led to relatively coherent policies in this area, reflecting a desire to correlate and cooperate with other nations in economic matters. This also amplifies the fact that the EC's capacity to cooperate on economic issues, especially where high stakes are involved, are higher than political and security issues. Thirdly, the multilayered nature of the EC's policy-making mechanisms has actually made the Commission the most important actor in EC-East Asian bilateral relationships. History-making decisions are usually irrelevant as a direct factor in this partnership, a situation which sidelines the Council and its national position. Similarly, this has strengthened the Commission's capacity to make decisions on behalf of the EC, as well as its capacity to cooperate with the East Asians. As discussed earlier, however, the EC's history-making decisions such as the establishment of the Common

Commercial Policy, creation of a single market, and enlargement do have an indirect effect on the EC-East Asia partnership.

### *The EC as an Interregional Actor*

The EC has indeed been prolific as a global actor and this has expanded to its activeness in proliferating regionalism and interregionalism. One of the clearest reflections of the EC's actorness has been its pursuit of regional and interregional partnerships which include attempts to speak with a single voice in multilateral for a such as the WTO, its neighbourhood policy and its ties with the developing world as well as unified strategies in creating global regimes (Langenhove and Costea 2005:12). In similar fashion, the EU is able to reach agreements with other states (bilateralism), act within the UN and WTO framework (multilateralism) and also engage in constructing interregionalism (Soderbaum et al. 2005: 379). The EC has completed negotiations for PTAs with South Africa, Mexico, Chile, Croatia, Former Yugoslav Republic of Macedonia (FYROM) and a selection of Mediterranean partners. The EC is also currently in negotiations with Mercosur, Syria, India, the ROK, and the Gulf Cooperation Council Countries (Lamy 2002, Doctor 2007)<sup>10</sup>.

This thesis expands on the EC's role as an interregional actor in East Asia and examines the EC's bilateral (with Japan, the ROK and China) and multilateral (ASEM) interregional partnerships. This exploration of the EC's bilateral and multilateral ties is expected to reveal further insights into the nature of interregional cooperation. An examination of the EC's motivations and rationale for being an interregional actor is an important foundation for this research because it assists us in understanding the EC's strategy formation and the rationale behind it.

The previous section noted the manner in which the EC can act as a unitary global actor with complex policy-making processes, particularly in issues of trade in which the Commission has obtained full competency. A significant portion of the EC's characteristic as a global actor is inevitably reflected in and transferred to the manner in which it handles itself in its

---

<sup>10</sup> [http://ec.europa.eu/trade/issues/bilateral/index\\_en.htm](http://ec.europa.eu/trade/issues/bilateral/index_en.htm)



interregional partnerships. In other words, we can expect the EC to be able to act as a unitary actor and in cases of bilateral partnerships, the EC would be considered one side of the partnership in itself. We can also expect the Commission and its focus on guarding European (not national) interests to lead the EC's decision-making process, although this would be conducted in a multilayered environment and national positions could sometimes be represented in the Commission's negotiating positions.

Arguments have been made that interregional efforts are influenced by a complex set of factors, although economics continues to play one of the most important roles and are reflected in the contents of preferential agreements (Tharakan 2002: 1396). Current literature on regionalism shows that a variety of theoretical approaches ranging from realism to liberal institutionalism and social constructivism are useful in explaining EU interregionalism (Soderbaum et al. 2005:368). The explanations for the EU's interregional efforts include the EU's desire to promote liberal internationalism, to build the EU's identity as a global actor and to promote the EU's power and competitiveness (Soderbaum et al. 2005: 368-377).

An argument is made by Alecu de Fleurs and Regelsberger who noted that the EU's interregional policy relations are explained through a combination of its 'Eurocentric approach' as well as the EU's desire to counterbalance the American's influence in Latin America (2005), a strategy which combines institutional as well as neorealist roots. Making similar use of a number of traditions in international relations and comparative literature, Aggarwal and Fogarty put forward four hypotheses concerning the origins of EU interregional trade strategies. They argue that EU trade strategies are determined by the influence of specific interest groups within Europe, by bureaucratic attempts to maximise influence in the European policy-making arena, by international systemic constraints and opportunities, and by the need to forge a common European identity (Aggarwal and Fogarty 2004:6-16).

These eclectic explanations are by no means the only description of the EC's motivations for interregionalism. In an assessment of the EU's interregional policy towards Africa, Farrell argues that the underlying EU motivation is in forwarding goals of economic liberalisation rather than

democratisation, and proclaims the possibility of 'a triumph of realism over idealism' (2005: 263). With Mercosur, for example, the EU has been found to provide support for institution-building and region-building in its attempt to increase the EU's legitimacy and its role as a global actor through political dialogue, cooperation, and trade (Santander 2005).

The idea that the EU is actively pursuing interregionalism has also been proposed by other scholars who explain that the EU's foreign policy strategy in promoting interregionalism could act as an alternative model of world order to the unipolar Pax Americana (Hettne 2001). A similar idea concerning institution-building and region-building to enhance the EU's influence as a global actor has also been evident in the creation of ASEM (Forster 2000:796). Gilson takes on a social constructivist stance and sees ASEM as embedded with 'Western' norms and contends that the EU has utilised interregionalism as a means to manage economic and political relations with a region the EU is increasingly distant and unfamiliar to (2005: 326).

These popular explanations to the EC's interregionalism efforts demonstrate a mix of motivations which are once again suitable for explanation by mainstream IPE theories. The material desire to maximise the EC's economic power and influence, for example, could be explained by neorealism and neomercantilism, while the desire to promote liberal internationalism reflects the ideas of neoliberal institutionalism. Social constructivism would explain the EC's desire to create a common European identity, particularly through the promotion of European ideas, norms, and codes of conduct. The issues of material interest, institutions, and ideas are explored in greater detail throughout this thesis.



## *East Asia's Bilateral and Multilateral Partnership with the EC*

The primary methodological purpose of the bilateral and multilateral empirical cases presented in the next two chapters is to provide an initial understanding into the key elements of the relationships, specifically from an EC point of view, in order to provide further insights to cooperation. It does not attempt to provide detailed accounts into the history of the EC and the East Asian partnership but instead predominantly focuses on endogenous and exogenous effects on the relationship, the major fluctuations in cooperation throughout the partnership's history, and the pattern for interaction and cooperation in the partnership. It is also important to note that this is not a sweeping comprehensive study of every single East Asian state. The East Asian states chosen for this study were picked according to their economic significance in East Asia as well as their varying levels of political economic development, their continuous interaction with the EC, and their reputation as protectionist states. The final part of this section notes how the 'uniqueness' of the EC-East Asian partnership may generate atypical findings which generate further insights for the analysis of cooperation.

In order to provide answers to the key questions and propositions proposed in Chapter 3 as well as the critical issues of material interest, institutions, and ideas in the evolution of cooperation, this research project first analyses the bilateral relationships by undertaking a series of empirical studies in Chapter 5 of how the European Union (EC) appears to react in its bilateral relationship with three East Asian countries; Japan, the Republic of Korea (ROK), and China. The choice of these three is deliberate and is also a direct indication that this research does not attempt to make a comprehensive review of every single existing East Asian state. A comprehensive review of all East Asian states would be controversial in itself, mainly because current definitions of East Asia span anywhere from merely Japan, China and the ROK to coverage of the Asian region eastwards from the ten Southeast Asian states.

Japan, the ROK and China were chosen for case studies as a test of the analytical framework for three main reasons. First, the states are

considered to be among the most powerful economic actors in East Asia and are at different levels of economic and political development<sup>11</sup>. This makes the study of the EC's relationship with the three states very important since there is a possibility of the cooperation process being affected by the varied stages of political and/or economic development. If there are differences in the cooperation consequences, the different levels of political economic development in the East Asian states could be the cause of such consequences. This also helps in detecting whether the EC has shifted strategies from one state or another by learning from past mistakes or from evolving their understanding of how cooperation may work. This insight is also expected to yield different points of interest for the analysis of material interest, ideas, and institutions.

The second reason these East Asian states have been chosen is because each of them have historically had a long and well documented period of constant interaction with the Europeans (Shambaugh 1996, Gilson 2000, Kapur 1986). This is important for the research since the tests span from the beginning of the EC's (European Community) conception to the present date and 'measure' acts of cooperation or defection throughout different periods. Having three well documented historical accounts allows direct comparisons throughout the European's relationship with the East Asian states. Equally importantly, one can also determine how exogenous factors may have affected the evolution of cooperation as well as the balance between material interest, ideas and institutions.

Thirdly, Japan, the ROK and China are considered, at one time or another, to be strongly protectionist states with centrally planned economies and trade policies which are relatively aggressively export-oriented (Dent 1996). This kind of behaviour is expected to prompt a reaction from the EC, which would respond to any sign of unfair trading policies through the generation of various policies, strategies, or statements. These responses are expected to vary according to the historical period, but there is a wealth of records on how the EC has decided to react to notions of unfair trade which

---

<sup>11</sup> Total GDP figures indicate that in 2005, Japan, China and the ROK ranked 2<sup>nd</sup>, 4<sup>th</sup> and 11<sup>th</sup> in the world respectively. In Asia, they ranked 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup>, respectively (World Development Indicators database, World Bank, 1 July 2006).



would usually be considered a strong sign of defection from rules and multilateral norms. Depending on the EC's action and reaction to states with strong protectionist tendencies, one could determine how the process of cooperation has evolved over time. Equally importantly is the manner in which one could analyse the EC's reaction and approaches to cooperation to states which may have decreased their protectionist tendencies over the years vis a vis states which have not had much improvement in the area.

In order to gain a parallel insight to the multilateral dimension of the EC's relationship with Japan, the ROK and China, the EC's relationship with East Asia is analysed under the ASEM framework in Chapter 6. Chapter 5 explores, on the one hand, the EC's attempt to multilateralise the relations, while on the other hand, extending the multilateral framework in which the EC is known to favour in its relationships. In these chapters, the coverage inevitably extends from Japan, the ROK and China to the Association of Southeast Asian Nations (ASEAN), whose membership was indispensable to the establishment of the framework (Krenzler 2002:2, Forster 2000:795). This additional coverage of ASEAN is essential to the understanding of the multilateral framework, but once again, should not be understood as an attempt to cover every single East Asian nation. This analysis of the multilateral partnership is focused primarily on EC approaches to cooperation, and predominantly views how the EC has attempted to use multilateralism as a way of handling issues. Understanding how the ASEAN states have fared in the multilateral cooperation process as a result of the EC's attempt to multilateralise the relationship in which ASEAN states have been an important part of, in comparison to Japan, the ROK, and China, is important to understanding ASEM as a multilateral framework. In other words, taking notice of ASEAN's critical membership and how cooperation between the EC and the ASEAN members have fluctuated within the ASEM context is a foundation to understanding how cooperation works within ASEM. In addition to this, ASEAN has been considered as holding a key role in any attempts on Asian integration (Helsinki 2000: 191). Any research into ASEM which excludes ASEAN would simply be incomplete.

While the significance of ASEAN within the ASEM multilateral framework cannot be discounted, Japan, the ROK and China are expected to

be major players due to their economic size and potential. This provides a continuous and necessary parallel analysis with the bilateral studies and serves to further our understanding of the possible shifts between bilateralism and multilateralism occurring within the evolution of cooperation. Another issue raised in these chapters is how the evolution of EC-East Asian multilateralism may have been a response to exogenous forces such as the rise of the Asian economy in the 90s, as well as the creation of the Asia-Pacific Economic Cooperation (APEC).

It is also a fair point to argue that in today's complex GPE, the distinction between bilateralism and multilateralism presented in chapters 4 and 5 may be considered to be an artificial dichotomy. Within the GPE, lines between bilateralism and multilateralism have become increasingly blurred, and the two modes of cooperation continually overlap each other (Smith 2004). In this thesis, however, this arguably artificial distinction is introduced as a control mechanism in order to extract as many characteristics of each mode of cooperation as possible. Not unlike the parsimonious nature of IPE literature from various schools of thought, it is sometimes useful to draw a very distinct line between bilateralism and multilateralism so that each can be analysed in more detail without confusing one for another.

Chapters 5 and 6 provide an empirical examination for the EC-East Asian bilateral and multilateral partnership and are focused on a critical and conceptual focus. The chapters draw on the key elements of trade, institutional development and dialogue intensification and the EC's strategic documents for East Asia to test the questions and propositions made in the thesis. These key elements have been chosen specifically because they are considered to be the core elements affecting the fluctuation of cooperation between the EC and East Asia. Consequently, these three key elements serve as suitable 'tests' to isolate the material, institutional, and ideational influences within the EC-East Asian bilateral and multilateral partnerships.

Firstly, trade issues have been the core of EC-East Asian cooperation, and this thesis takes the view that issues of trade are directly linked to the material side of cooperation. The issues of trade deficits, in particular, are traditionally considered to be very dear to national interest and have prompted very vivid examples of both cooperation and defection. Throughout the history



of interaction between the EC and East Asia, there have been several occasions when the inability to resolve trade deficits led to direct retaliatory trade measures. Chapters 4 and 5 take into account trade statistics and analyse aggregate trade, trade deficits, and various trade data dynamics in order to see whether the material interest found in trade have any relations with the rise and fall in the evolution of cooperation.

Secondly, the institutional development and dialogue intensification found in both the bilateral and multilateral cooperation process is tested in chapters 4 and 5. It is important to note that institutional development exists both internally and externally to the EC-East Asia partnership. Internally, the EC has evolved and a lot of the European integration process has resulted in the increase of the EC's ability to cooperate with its partners, particularly in issues of commerce. Externally, over the years of cooperation, the EC and East Asians have evolved a large number of fixed meetings, agreements and institutional structures, both bilateral and multilateral in nature, which may have helped in creating a standing dialogue between the partners. There are numerous arguments indicating that these frequent meetings have been a factor in improved cooperation although other arguments indicate that the meetings show an emphasis of quantity over quality. Chapters 4 and 5 test the institutional influence in the bilateral and multilateral partnership and see how institutions and the growing dialogue between the EC and East Asia have affected cooperation.

Thirdly, as suggested in this Chapter as well as the empirical chapters, values, ideas and codes of conduct are important in the analysis of the evolution of cooperation. The EC, in particular, is known to be an exporter of values and ideas through soft power, and has attempted to expand its influence through this means. One of the best ways to see the manner in which the EC does this is to make use of the EC's reputation of being a "paper-producing machine". In other words, the EC has produced and made available numerous strategy papers, framework agreements and declarations which are excellent indications of how the EC visualises its relationship with a certain, or in which direction the EC would like the cooperation process to head. Chapters 4 and 5 analyse these strategic documents in detail in order to extract values, ideas, and codes of conduct inherent in the documents and

see how these factors have had an effect on the evolution of cooperation. It is important to note that not only the content of these strategic documents matter, but also the timing of the issues discussed. When the strategic documents are produced could be an indicator of whether the strategies are a reaction to a certain issue, or merely to anticipate future issues in cooperation.

It is important to note that the EC-East Asian partnership is unique and could generate atypical findings which may not be mirrored in the EC's partnership with other regions. There are at least three main reasons the EC-East Asian partnership could generate findings which could be considered unique to this specific partnership. Firstly, the predominantly economic partnership is not reflected, for example, in the EC's partnership with the ACP or Mercosur. The EC does not have particularly strong historical or colonial ties with East Asia, and when it did, the ties were not developed to the extent that the EC's colonial ties with the ACP countries were developed. The East Asians are also adamant that the partnership with the EC be based on equal partnerships, providing the EC with little opportunity to enhance its political ties with East Asia. A consequence of this is that when material interests are considered, the analysis needs to be limited to trade and cannot expand to issues of security, for example.

Secondly, although the documentation of the EC-East Asian partnership throughout the past five decades has been detailed, the partnership is still young compared to the EC's other partnerships. EC interest in East Asia only really grew during the Asian economic miracle and actually waned, to a certain extent, thereafter. EC 'strategies' with East Asia started emerging after the Commission gained trade competency in the 70s and only become more fully developed in the 90s. This means that even in issues relating to trade, the EC experience with East Asia is still in its learning stages and the strategies generated for East Asia may still be in a trial and error phase.

Thirdly, the fact that the selected East Asian states are centrally managed and are considered to be protectionist means that the EC is bound to react accordingly. One of the reasons the East Asian states can afford to sometimes ignore liberal rules is because the EC has not always been their most important trading partner. In turn, the stakes are much lower for the East



Asian's sometimes unwillingness to follow the EC's rules. For East Asia, as the empirical studies will show, the American and intra-regional partnership is often more important. This places the EC in an unprecedented position and could mean atypical reactions from the EC.

The uniqueness of the EC-East Asian partnership means that there are at least three core strengths in the selection of this empirical study for the analysis of interregional cooperation. First, the emphasis on trade issues between the partners means that the EC-East Asian partnership is one of the best empirical cases for analysis if one is to study the EC's commercial partnerships with the world. The equal partnership idea insisted on by the East Asians has forbidden the EC from venturing far into the issue of politics and ideas, and makes this empirical case one of the few examples where one can study the EC's commercial interregional engagement when commercial issues take on the highest priority. Secondly, the fact that the EC-East Asian partnership is still in its learning stages offers us the opportunity to view the EC's trials and errors and its attempts to refine its strategies throughout its engagement with East Asia. The documentation on key strategies has been kept in its original form, is accessible, and is available even on the Internet. Thirdly, the East Asian's protectionist stance and the EC's reactions to them can be analysed in detail through trade statistics, strategic documents, and secondary literature. The East Asian states being analysed in this study are among the few who can claim status as economic equals to the EC (particularly China and Japan), but are also finding their way into an increasingly liberalised trading economy. The EC, in turn, would be expected to use exceedingly careful strategies and to carefully balance its material interest, institutional, and ideational motivations in a very delicate set of partnerships. The study of these strategies and the balance of the EC's motivations and interests will shed much insight into how cooperation evolves and is achieved, particularly by the EC.

The strengths of this set of empirical cases means that some limitations can, naturally, be expected. The study of a predominantly commercial partnership means that material interest will usually be limited to trade concerns. This could potentially make it very difficult to analyse the ideational side of the partnership, although this thesis will argue that at least an attempt

at placing ideas into the partnership by the EC is still evident. The short period in the EC-East Asian partnership also makes historical trends and trajectories slightly more difficult to analyse, and arguably more superficial, than when the Europeans have engaged in longer periods of transactions with its partners. This thesis will, however, argue that trends and trajectories can be seen in the EC-East Asian partnership, particularly at points when the EC shifts its strategies towards its East Asian partners. Finally, the East Asian's protectionist stance has often meant that the EC's strategies towards East Asia can be expected to be unenthusiastic. Historically, this has been reflected in the manner in which the EC and Asian partnership has been considered to be the missing side in the global trade triangle (between the Europeans, the Americans, and Asia). Recently, however, China has become the EC's largest trading partner and the EC strategy has shifted accordingly. This provides for a good opportunity to examine how the EC's more enthusiastic partnership with China compares to the EC's less enthusiastic partnership with Japan and the ROK.

### *Exploring Interregional Cooperation*

The next two chapters take note of the EC's role as a global actor and its motivations for interregionalism and set this within the context of EC-East Asian interregionalism. To reiterate, this empirical analysis is conducted from the EC's perspective on interregional cooperation, including what the EC wants to gain from the partnership and how it attempts to achieve these goals. This empirical background is designed to isolate the trends and trajectories as well as the material interests, institutional influences, and ideas involved within the EC-East Asian bilateral and multilateral interregional process. As a result, we would expect to find a set of answers to some of the questions and propositions raised in Chapter 3 and consequently, provide further insight into the nature of interregional cooperation.



## Methodology and Empirical Data

Current literature on the EC and East Asia is often produced, broadly speaking, through a historical perspective (see Kapur 1997, Shambaugh 1996, Kokko 2000 for example). Other approaches rely on a singular theoretical perspective and derive a set of hypotheses from the theoretical perspective (see Gilson 2000 or Forster 2000). In a few cases, such as in Christopher Dent's book (1997), each individual partnership is analysed under each classical IPE theory (neorealism/neomercantilism, neoliberalism, and dependency) and it is explained how each partnership can be analysed differently using each of those IPE theoretical perspectives.

As stated in Chapters 2 to 4, this thesis proposes an eclectic approach to understanding interregional cooperation and is designed primarily to gain further insight into the nature and forms of interregional cooperation. It is not enough to analyse the EC and East Asian bilateral and multilateral partnership from history alone. It is also not sufficient to apply a single theoretical perspective to the partnerships and try to understand the partnerships through the inclusions and exclusions that the IPE and interregional literature propose. As a result, this thesis expands on the analysis provided in existing literature on EC and East Asia as well as literature on interregional cooperation by observing material interest, institutional influence and ideas within the partnerships and using the results to gain further insight into interregional cooperation.

The triangulation across three types of data is designed to provide further insights into the questions posed by IPE and literature on interregionalism presented in chapters 2 and 3. In other words, through the combined use of both primary and secondary sources which provide data on trade statistics, bilateral institutionalization, and EC strategies, we expect to find further insights into the interregional cooperation process between the EC and East Asia. The triangulation of empirical data used in this thesis, observing the effects of trade statistics, institutional development and rhetoric within strategic documents, is expected to yield more than the sum of its parts. In other words, the eclectic approach of combining theories is expected to give

rise to a number of insights which may have been excluded in a more parsimonious approach, and the combination of types of empirical data is equally designed to provide a robust basis for evaluation.

**Table 10: Differences between Parsimonious and Combined Approach**

	<i>Parsimonious with inclusions and exclusions</i>			<i>Combined</i>
	Neorealism/ Neomercantilism	Neoliberal Institutionalism	Social Constructivism	Eclectic Approach
EC-East Asia Empirical Focus	Relative gains in trade	How institutions shape and form relationship	The importance of ideas and a holistic understanding of the relationship	How trade, institutions, and ideas (found in strategic documents) shape and form cooperation
Areas of enquiry	Power, Balance of power, relative gains, material interests	Power, Institutions to restrain unilateral pursuit of interest, collective gains, material interests	Ideas, social constructs, agency/structure analysis	Balance between material interest and ideas, balance between collective and relative gains, relevance of institutions

The next two empirical chapters thus draw on the eclectic theoretical approach and observe the EC-East Asian bilateral and multilateral relationships to gain a further insight into the various balances which shape interregional cooperation. The main trends in the EC and East Asia’s bilateral and multilateral relationships point towards three key elements which are clearly important for the status of the relationships at each key stage. The first key element is quantitative in nature and concerns trends and trajectories in the volume of trade involved and the trade deficits at each given period in time. Trade statistics as a key element have changed over time and appear to have affected the nature of the relationship as well as the broader interaction the partners have had with each other over time. This key element is an important test for the material perspective of the relationship, particularly due to the fact that trade balances have long been a serious problem in the EC-East Asian relationship and have been a key reason for some of the most tumultuous periods in the relationship. An analysis of these trade statistics is a necessary test of the analytical framework because it points towards measurable trends in material interest which clearly have affected the partnership. Trade statistics suggest that trends in the bilateral relationship



may have changed due to changing trade volumes and trade deficits, and these issues appear to have been important in leading to the various key historical highlights in the relationship between the EC and East Asia.

While the first key element, trade data, is expected to serve as a good source of information for the nature of interaction between the partners, the quality of the interaction cannot be ignored. The second key element, the institutionalisation and intensification in the dialogue are qualitative indicators embedded in the partnership and are perceptible from the various key historical highlights between the EC and East Asia. The process of bilateral institutionalisation and dialogue intensification portrayed in the historical highlights is important qualitatively because it plays a role in verifying how the key policymakers and those affected by certain changes in trade statistics have responded to losses or gains in the material relationship. It is important to note how the EC and its institutions have had a leading role in setting the agenda as well as guiding the material and ideational direction of the relationship. In contrast to the material interests embedded in the trade statistics, consideration of bilateral institutionalisation and intensification of dialogue is expected to additionally allow a testing and measurement of ideas, values, and codes of conduct needed to sustain a cooperative relationship, and thus to link with key aspects of the evolution of cooperation as described earlier in the thesis.

The final key element, closely related to the second key element, is the manner in which EC strategic documents and framework agreements have framed and reflected an overall picture of the EC-East Asian bilateral and multilateral relationships. A thorough analysis of the facts and the rhetoric used in the key strategic documents in the relationship put out by the EC Commission will help to put the relationship further into context. Throughout the history of the EC and East Asia, the European Commission, one of the key players from the EC side of the partnership, has designed a number of strategies which are expected to shape the general mood as well as reflect the problems within each partnership. These key strategic documents are an excellent indicator of the material or ideational interest involved and the attempt to fulfil those interests. The documents will contain rhetoric pointing towards desirable idea and values, although they are expected to also

conspicuously contain a highly material side of the relationship embedded in the demands and proposed agreements. This eventually becomes a good test of how material interest and ideas unveil themselves through negotiations and agreements and become a feature in the key strategic documents.

These three key elements are designed specifically to draw out what material interest, institutional developments and ideas can tell us about cooperation in the EC-East Asian bilateral interregional partnership. Combined, this approach is expected to offer some important perspectives on the EC-East Asian bilateral interregional partnership which have not been covered in current literature on EC and East Asia's evolving relationships.



## **Chapter 5**

### **The Evolution of Bilateral Cooperation in EC-East Asia Relations**

In order to further understand the nature of interregional cooperation and the key questions and propositions presented in Chapter 3, this research first analyses the evolution of bilateral cooperation between the EC and its Japanese, South Korean, and Chinese partners. As noted in Chapter 3, the problematics IPE pose and propositions about interregionalism are directly linked and need to be observed under an empirical focus in order to fully understand the nature of cooperation. Relevant themes – as pointed out in chapters 2-3 include the nature of actors, the nature of the global political economy, the nature of actors' interaction within the global political economy, and the importance of ideas against structures. More specifically, these IPE themes have been translated into the question of whether interregionalism is led by states, whether it is a question of hierarchy or management of anarchy, how interregional FTAs coexist with global liberalisation efforts and the importance of the balance between material interest and ideas<sup>12</sup>.

The two major sections in this Chapter are designed as empirical observations to provide further answers and insights into the nature of cooperation and interregionalism, specifically as noted in the bilateral interaction between the EC and East Asia. The first section encompasses what might be termed a vertical approach, which evaluates the highlights in each of the partnerships separately, while the second section engages in a combined horizontal analysis of the material, institutional, and ideational influences within the bilateral interaction across the three EC-East Asian partnerships.

In the vertical approach, tracing and analysing the bilateral interaction between the trading partners is important in tracing the direct interactions they have had in the past, rather than what could be rather indirect or implied interactions through multilateral forums, for example. The first section of this Chapter thus focuses on a relatively objective observation of key events of

---

<sup>12</sup> For further details, please see the final section of Chapter 2.

cooperation occurring separately in the EC-East Asian relationship and focuses on some key elements of this relationship. It is explained how the EC is continually engaged in an exercise of balancing material interest and ideas in its relationship with the individual East Asian states. The assessment points towards an unevenness in the relationship due to the fluctuation in the EC's gains or losses concerning commercial issues while engaged with each East Asian state. Notably, the EC will be noted to have treated similar cases of losses in material interest (such as illustrated by vast trade deficits by Japan and China) in different ways.

While the assessment of the EC's bilateral interaction with East Asia points towards a strong focus on material interest in the EC-East Asian bilateral relationship, this focus is not enough to explain how certain relationships have resulted in a more mature and sustained cooperation process than others. Alongside the deepening of commercial issues, the first section of this Chapter will also point towards bilateral institutionalisation, intensification of dialogue, and the formalisation of the relationship through numerous important framework agreements.

In order to determine whether the EC-East Asian partnership has taken on a predominantly material or ideational form, the second part of this Chapter attempts to explore these aspects from the bilateral side of the relationship<sup>13</sup>. According to the key questions and propositions on cooperation noted in Chapter 3, there is a possibility that a relationship will take on a cooperative bilateral form once the partners feel that their relationship is based on mutual material interest. A necessary step in performing a test on the interests involved in a partnership is by identifying how material interest, ideas, and institutional elements have emerged in key aspects of the EC-East Asian relationship.

The horizontal analysis in the second section of this Chapter makes use of three empirical sets of data ranging from 1950 to 2005: statistics for trade in goods, institutional developments as seen in primary and secondary literature and strategic documents generated by the European Commission. The purpose of this triangulation of data is to observe, as objectively as

---

<sup>13</sup> A matching exercise is mirrored in Chapter 6 for the multilateral side as seen in the ASEM process.



possible, the material interest, institutional influences, and ideational elements present across all three EC-East Asian bilateral partnerships.

**Table 11: Trends and Triangulation in EC-East Asian Bilateral Cooperation**

	Japan	ROK	China
<b>Vertical Analysis (Section I)</b>	Exogenous and endogenous effects, trends and trajectories	Exogenous and endogenous effects, trends and trajectories	Exogenous and endogenous effects, trends and trajectories
<b>Horizontal Analysis (Section II)</b>	Material Interest, Institutions, and Ideas		
<b>Key Questions and Propositions in IPE and Interregionalism</b>	Interregionalism led by states, Question of hierarchy or management of anarchy? Do interregional FTAs coexist with global liberalisation efforts? Balance between material interest, institutions and Ideas?		

### *Trends and Trajectories*

In the ongoing story of the EC and East Asia partnership, a very clear picture can be captured in a snapshot of its bilateral cooperation process. This research marks some of the defining features of the bilateral relationship between the EC and its Japanese, South Korean, and Chinese partners. Tracing the bilateral history between the trading partners is important in tracing the direct interactions they have had in the past, rather than what could be rather indirect or implied interactions through multilateral forums, for example.

This section concentrates on a relatively objective observation of distinguishing features of cooperation occurring in each of the EC’s partnerships with it East Asian partners. It argues that the evolution of cooperation between the EC and the individual East Asian states follows three different patterns. To begin with, this section notes how the nature of cooperation between the EC and Japan progressed from one of EC defection towards one of mutual cooperation. This section continues to explain how EC and ROK interaction from 1952 to 2005 appears to have rarely evolved beyond that of defection. Finally, it is argued that the EC and China interaction

has broadly been cooperative with very few signs of defections in their history of interaction.

In the tracing of historical events, it is essential to note a number of areas for observation. First, a mixture of endogenous (within the evolving EC-East Asian relationship) and exogenous effects (occurring from the constantly evolving GPE) are expected to influence the history of how the bilateral EC-East Asian relationship evolves. Consideration of the endogenous and exogenous effects is necessary because of the manner in which the cooperation process takes place and causes as well as is affected by the constant evolution of the actors

Secondly, the fluctuation of cooperation and defection is expected in the historical progress between the EC-East Asia bilateral partnership. Europe has traditionally placed less priority on its relationship with Asia, and periods of indifference between the two would not be surprising. Given the partners' relative disinterest in each other, one would also anticipate some lack of understanding between the two, and in extreme cases, miscommunication. This will result in key events in the interaction history where the partners are clearly acting to further enhance cooperation or, in contrast, defect. This Chapter attempts to analyse how the partners gradually get to know and deal with each other through this very act of various degrees of cooperation versus defection.

Thirdly, a pattern for bilateral interaction and cooperation is expected to be unveiled, including how the actors talk to each other, what means for communication the actors use, and the motivations behind chosen policy choices. A number of key elements are given emphasis in the following sections of the Chapter to assist in discovering this pattern for interaction and cooperation. This includes key areas of conflict, the creation of means, tools, or habits for cooperation, and any underlying reasons for conflict or cooperation. These are areas for observation which are meant to illustrate where the relationships have been, what important events have taken place, and broadly where the relationships appear to be going.

Once a general tracing of the history and the key elements in the relationship has been completed, one may be given an idea of whether cooperation or defection has occurred in the relationship and which conditions



have led to cooperation or defection. This will provide a foundation to subsequently analyse (in the latter section) the factors and conditions leading or detracting from cooperation, including a more theoretical discussion linking back to the questions and propositions posed by cooperation and interregionalism.

### EU-Japan Bilateralism: From Defection to Cooperation

An analysis of the evolution of cooperation between the EC and East Asia would simply be incomplete without a case study of cooperation between the EC and Japan. This relationship is not only the most developed, but is also an excellent guideline and benchmark for the following relationships between the EC and East Asia which would follow. To begin with, the relationship between the EC and Japan has been one characterized by a multitude of conflicts, misunderstanding, and power plays. It is also important to note that the periods of uncomfortable differences are also spaced with periods of genuine attempts for collaboration and cooperation<sup>14</sup>.

Two main issues plagued the early history of EC-Japan interaction. The first issue is the early hostility and general distrust of Japan following the end of World War II. . Even before the start of World War II, the relations between Japan and Europe were in a sharp decline. In the 1930s, Japan's colonial interests were increasingly perceived as a challenge to Europe's interests in Asia. In addition, Japan practiced aggressive trade policies such as dumping on textile products in European markets, regular breaches of intellectual property rights, and maintenance of highly protected domestic markets (Dent 1999: 87). Japan would eventually be defeated in World War II, an event which strongly curtailed its military, political, and economic power, but its character as a protectionist trader was to continue as soon as it recovered during the post war era.

The period between the 1950s to the 1970s was a testing period in the relationship between Europe and Japan. Japan's pre-war neomercantilist

---

<sup>14</sup> These rationales for selection of Japan as a case study are in addition to the reasons provided for selection of the three East Asian states set out in Chapter 4.

policies had caused significant tension between the two and its being a former Axis power added even more wariness into the relationship. According to Dent, there was little doubt that Japan's post-war "developmental state" was adopting neo-mercantilist policies. Japan's re-entry into the international community was largely the result of American encouragement, and began with Japan's 1952 application to the General Agreement of Trades and Tariffs. Despite protest from the international community, particularly vociferous ones from major European powers, Japan managed to gain membership to GATT in 1955, with a lot of encouragement and help from the US (Drifte 1986:96). The European powers were quick to respond, with fourteen incumbent GATT members including the UK, Netherlands, France, and Belgium refusing Japan MFN status on its entry by invoking Article 35, allowing them to impose trade restrictions against Japanese imports without compensation due to "injurious" competition (Dent 1999: 87).

The second issue proving problematic for EC-Japan cooperation was Japan's rapid economic growth and industrialisation which eventually were responsible for Japan large trade surplus against the EC. The 1970s saw Japan become a main source of trade, aid and investment for many Asian countries, especially East and Southeast Asia. By 1978, Japan's aid to Asia overtook the US and reached 80% of the EC's aid in the region (Wilkinson 1983: 146, 151).

This was also a period which saw the beginning of what would become an extremely worrying trend in trade balances for the Europeans. From a trade deficit of \$78m in 1968, Japan's trade surplus with the EC grew to \$309m in 1970, \$1344m in 1972 and \$3615m by 1976, despite the EC's trade balance with the rest of the world being in surplus during most of these years (Dent 1998:88). This increase was mainly in specific sectors such as radios and TV sets, tape recorders, electronics, ship and automobiles. The rise of Japanese exports to the EC in these fields was due to export restrictions by the US, and it has been noted that the most controversial feature of Japanese exports to the EC until the 1980s was on the concentration levels of the mentioned Japanese exports rather than the actual amount of EC trade deficit (Abe 1999:2).



This trade imbalance was met with hostility and criticism by the Europeans who demanded that the Japanese open their markets. Despite economic stagnation in Japan in 1977 and increased international calls for the Japanese to stimulate domestic demand, the Japanese only paid lip service to Commission President Jenkins' demands for an examination of Japan-EC balance of payments. This led to further criticism directed at Japan by the European Commission, especially when the 1979-1980 rounds of oil price increases came about and the world economy was slowing down. During this period, Japanese car sales in the EC jumped by 29 percent and Japanese industries were doing particularly well, despite the global economic troubles (Gilson 2000:24).

By 1980, Japan had become the number one automobile manufacturer and exporter (Wilkinson 1983: 178). It is important to note, however, that during this period, Japan's overall economic growth was actually being marked by domestic growth rather than a growth in its exports. It is also important to note that Japan's share in world exports has been small during this period (Meynell 1982: 104). Another noteworthy analysis of Japan's exports during this period is that European claims that Japanese exports were too concentrated on sensitive industrial product lines such as textiles, steel, ships, cutlery, and cameras may have been unfounded after a statistical analysis (Meynell 1982:106-11). Nevertheless, the most significant areas of growth in Japanese import penetration in the EC and North America by 1976 to 1977 were in the areas of transport equipment and machinery (Shepherd 1982: 132).

Despite the early obstacles to cooperation, literature on EC-Japan relations point towards some genuine attempts towards cooperation, particularly after the mid-1980s. Misunderstanding and indifference continued to be a major part in EC-Japan relations until the mid 1980s, when both sides continued to pay more attention to the US (Abe 1999:3), but this period in general would see increased cooperation and compromise as well as growing mutual interests between the two nations. During the early part of the 1980s, the Commission established a four point common policy demanding voluntary export restraints by the Europeans to be as uniform as possible, pushing for a stronger yen, requesting the removal of NTBs protecting Japanese markets,

and insisting on the EC's right to similar treatment given by Japan to the US (Dent 1999:92). The more significant role of the Commission in economic diplomacy was aided by a more cordial environment of relations evolving between the two powers as the 1980s progressed. This included the Plaza accord, when the yen was revalued, more convincing and proactive efforts to open up markets, and concessions by the Commission. Japan was also becoming more interested in the EC's Single European Act and trade deficits began to stabilise towards the middle of the 1980s.

In 1985, the Commission admitted that tariff and quantitative restrictions emanating from Japan had been reduced, although this was plagued by Japan's low import tendencies and feeble European efforts to export to Japan. In any case, the Commission did manage to successfully negotiate for sectoral openings, desperately needed, in the Japanese market (Bridges 1999:25). During 1987 to 1990, EC exports to JP grew at an estimate of 25% each year and trade balance stabilised in the late 1980s (Bridges 1999:28).

Abe notes that Japan's realisation of the impact of the SEM programme helped to improve its attitude towards the EC. The SEM would make the EC the biggest single market, including the automobile sector and increase European competitiveness in the international economy (Abe 1999:3). In addition, the SEM marked the end to any possibility of success for the Japanese "divide and conquer" economic diplomacy. According to Dent, "the gradual implementation of the SEM programme from the late 1980s onwards not only necessitated third countries and their companies to think more in terms of "one Europe", but also improved the relational and structural power of the EC in international economic affairs (1998:95). Fear of a more integrated protectionist Europe saw Japanese exports stabilise in exchange with a sharp rise in Japanese FDI in Europe (Dent 1998:93, Abe 1999:3).

The 1980s was a period which saw increasing FDI outflows from the world's major economic powers, with growth in FDI overtaking that of world trade. During this decade, Japan's FDI grew by seven fold and much of it was aimed towards Europe. Bridges explains that the EC was chosen because of present and possible barriers to trading and straight selling as well as direct encouragement from the European governments themselves (1999:35). This



was especially apparent in British PM Margaret Thatcher's attempt to attract Japanese FDI beginning in the early 1980s which would eventually see Britain become a net exporter of colour televisions in 1991 and of cars in 1992 (Bridges 1999:35).

The improvement in relations between the EC and Japan eventually culminated in 1990 with the announcement of the Hague Declaration. The 1991 Hague Declaration appears to have been conducted as much by the partners to recognise each other's increasing identity in international affairs as it was designed to solve existing problems within the relation. After intense and often distrustful negotiations, it was asserted that the final text included several verbal compromises and amounted to a summarisation of the numerous channels of dialogue which were already in existence (Bridges 1999:43). In any case, it did set out new mechanisms for the dialogue, elevated the EC-Japan status as legitimate political dialogue partners, and improved their habits of interaction (Gilson 2000:95, Bridges 1999:43). A year later, the European Council of Ministers concluded that there had been a "qualitative leap in political dialogue as a result of the 1991 declaration. This was described by Bridges as "exaggerated", but showed how a political dialogue was unprecedented during this time frame (1999:43).

During the 1990s, multilateral frameworks such as the ASEM, G7, OECD and the WTO were already becoming extremely relevant in EC-Japan relations. By the early 1990s, Japan was already familiar with the notion that any problems concerning market access should be left for decision in the GATT negotiations. Indeed, agricultural and financial market issues became an important part in multilateral negotiations associated with the 1986 Uruguay Round of GATT negotiations onwards (Bridges 1999:25).

2001 saw the approval of a comprehensive Action Plan which provided the basis for a grandly named "Decade of Japan-European Cooperation". This action plan pursued four main objectives, including promoting peace and security, strengthening the economic and trade partnership, coping with global and societal challenges, and bringing together people and cultures. If the Commission statements are any indication the developments ever since have been positive (see detailed analysis later in this Chapter). Market access in the insurance sector and the asset management business has widened. The

Japanese Diet had passed legislation in July 2003 which removed the prohibition against Japanese lawyers and foreign lawyers which prevented foreign law firms in Japan. Competition policy had also improved, since the Japanese Fair Trade Commission was transferred back to the control of the Cabinet Office in April 2003, with progress in correspondence to request made by the EC in previous years.

This brief review of the key historical highlights of the EU-Japan history reveals a number of important balances in the aspects of this relationship into light. As noted earlier in this Chapter, the key areas to focus on are the effects of endogenous and exogenous influences, degree of cooperation and defection, and patterns of interaction and means for cooperation.

Endogenous and exogenous influences have clearly had a strong role in the manner in which EU-Japan bilateral history has evolved. Changes in the Japanese economic growth had important effects in the various stages of its relationship with the EC/EU. Similarly, the EC's own internal development and institutional evolution meant that the Europeans were increasingly better equipped to handle Japan's economic growth. While these endogenous influences took shape, exogenous factors such as post-war economic conditions, the Asian economic crisis, and the conception of multilateral economic institutions played a role which constantly required the partners to adopt and adjust policies and preferences accordingly.

This tracing of the bilateral history between the EU and Japan also suggests that while the partners experienced a rough start, the cooperation process has slowly taken shape into an increasingly mature one. Defection scenarios plagued the initial stages of the cooperation process, up until 1968. Even when Japanese attempts to cooperate started to become evident towards the late 70s, European trade deficits urged continued hostility towards the Japanese. It was only in the early 1980s when the partners appear to be mutually adjusting policy and preferences to suit each other in the cooperation process. After the 90s, and despite the Asian economic crisis, the EU-Japan cooperation continued to remain strong and extended beyond the economic realm into the broader areas of global governance.

Finally, a developed pattern of interaction and communication is apparent in the EU-Japan bilateral history. It appears that the shaky start and



strongly antagonistic beginning of the relationship has urged the partners to continually communicate and to develop a strong degree of trust in each other. As a result a useful dialogue and an institutionalized relationship have emerged between the EU and Japan. This is well reflected in the Hague Declaration of 1991 which embodies the various dialogues, codes of conduct, and good practice into a single declaration which continues to act as the bilateral framework for the EU and Japan.

In summary, this bilateral history section has noted that exogenous and endogenous influences have had important effects on the relationship, both cooperation and defection has marked the historical progress, and a system of interaction and communication has been developed in the EU-Japan bilateral history. This understanding of the bilateral history between the EU and Japan serves as a necessary background to the empirical 'tests' in Chapter 5 where the material interest, institutional development, and ideas will be observed in greater detail.

**Table 12: EC-Japan Evolution of Cooperation**

Date	EC's Stance	Surrounding Circumstances	Outcome
1952-1955	<i>Defection</i>	Post war conditions, Japan attempting re-entry into international community amid distrust from the Europeans	Japan successfully gains membership to GATT, several European countries invoke Article 35, Japan weakens antitrust laws and readjusts import licensing scheme
1962-1968	<i>Defection</i>	Rising Japanese economic significance – EC newly integrated – three pillars evolving	Japan divides and conquers, gains a surplus on trade – EC insists, in vain, on a common trade policy to fight Japan
1968-1982	<i>Defection (with some cooperation from the Commission)</i>	Huge European trade deficits (especially in specific sectors), European integration becoming stronger, Japan becoming a major force in the world economy	Beginning of a system of dialogue between the EC and Japan, increased hostility from Europe towards Japan, increasing role from European Commission, trade wars of 1976 and 1980
1982-1990	<i>Cooperation</i>	SEM beginning to form, 1985 Plaza accord, Uruguay round, era of FDI outflows	Increased European competitiveness vis a vis the Japanese, more Japanese trust towards the EC. Increased negotiations in multilateral forum, trade balance stabilised
1990-1994	<i>Cooperation</i>	1992 Maastricht Treaty, Increased international role of both the EC and Japan, increasing involvement in multilateral forums, continued economic and political strength of the US	1991 Hague Declaration, 1994 Commission's Towards a New Asia Strategy+ASEM,
1995 - 2005	<i>Cooperation</i>	Japanese economic recovery, ASEM, Amsterdam Treaty, "Europe and Japan: The Next Steps"	– EC realised Japan's role in the world and called for increased reinforcement of political ties with Japan, levelling of FDI outflows and inflows, cooperation in Japan's structural reforms, period of intense cooperation



## EC-ROK: A Case of Constant Defection?

The ROK's key economic strategies appeared to be enough to make it an unattractive trading partner for the EC. These key economic strategies include the ROK's decision to strongly depend on US aid and assistance, centralisation of the ROK economy by its early governments, and the eventual creation of Chaebols. To begin with, the ROK's close ties to US resulted in their relative indifference from and with the Europeans. The consequence of these key economic strategies resulted in the ROK's concentration on heavy and chemical industry. It is also led to an heavily export orientated ROK economy and an initially slow growing ROK economy. Close ties to US resulted in relative indifference from the Europeans.

The early period of the EC's relationship with ROK is particularly striking when one considers the indifference each had for the other. The ROK only became independent in 1948 and was considered to be a new nation which was very much an aid recipient lacking in natural resources. 1950 to 1953 marked the period of the Korean War and yet another setback in the ROK's desire to develop. The Korean War, however, did set the tone of the next twenty years and how the ROK would form its relationship with the outside world.

The 1950s were marked with Korea's comprehensive import-substituting strategy, which was mainly financed by US aid shortly after a truce in 1953. Statistics indicate that even when the average annual GDP growth rate during the rest of the 1950s reached about 5 percent, Korean continued to be one of the least developed countries in the world (Kokko 2002:7). In reality, the real value of the country's manufactured exports actually fell by about 80 percent between 1953 and 1959. Kokko notes that the ROK's lack of success in exports indicates the role of US aid to finance the necessary imports of technology, machinery, intermediates, and raw materials during this period (2002:7). Needless to say, the 1950s was a period which confirmed the strong American influence in the ROK (Preston 2001:205). As Dent notes, "Europe has played the Cinderella" role in assisting

Korea's economic development", remaining a distant third in Korea's economic partnerships behind both the USA and Japan (1999:196).

This remained a reality over the 1960s and 1970s when the ROK's role changed positions from major import source and export market providers, with the Americans taking on the former role and Japan the latter. Korea's trade dependency on the US and Japanese economies were such in the early 1970s, these two main trading partners made up over 70 percent of the ROK's trade (Dent 1999:196). The partnership between the ROK, the US, and Japan remained strong despite changing circumstances in Korea's internal development plans and local politics.

The student revolution in 1960 spurred on significant political changes, but the 1961 military coup bringing General Park Chung Hee to power would determine the political economy for the ROK until its present day. Centralisation of economic decision-making in Hee's rule including the establishment of an Economic Planning Board, the nationalisation of all financial institutions, and the planning of a state that would be able to bring along drastic changes to encourage their support success (Kokko 2002:7-8). The sectors targeted for exports had "priority in acquiring rationed (and often subsidised) credits and foreign exchange, state investment funds, preferential tax treatments and other supportive measures including import protection and entry restriction" (Chang 1993:141). These incentives were proposed in the Detailed Five year Plan covering 1962 to 1966 in order to boost productivity and export targets as quickly as possible. At this stage, it was clear that the role of the state was extremely dominant and the market structure was oligopolistic in nature (Cherry 2001).

It is important to note the first signs of the Chaebol resulting from the government's policies during this period. Chaebols, or large conglomerates, are considered to be "large diversified business conglomerates that typically operate in several import substituting as well as export oriented areas, generally in tough competition with other Chaebol" (Kokko 2002:11). Findings from the World Bank indicated that even when Korean trade provided strong support to exports from the early 1960s, it was roughly neutral with respect to the composition of exports until the early 1970s (1993:128, Dent 1999: 189). In 1973 and with the 3rd Five Year Plan (1972-76), the Korean industry saw a



shift away from neutral export incentives to a strong bias in preparation for a possible North Korean attack in the fear that US military assistance would be withdrawn. Steel, petrochemicals, and non-ferrous metal were chosen to increase the ROK's self sufficiency in raw materials, while ship-building, electronics, and machinery industries were chosen as the ROK's future technology-intensive export base. Once again, these industries were given priority and supported with preferential access to cheap credits, tax credits, accelerated depreciation allowances, tax holidays, and import protection.

In spite of short-term effects like the appreciation of the Yen and other major currencies, Korean enterprises were faced with a declining export competitiveness beginning in the end of the 1970s. This led to questions concerning the ROK's strategy in copying Japan's success in government-led development of heavy industry, with some saying that Korea's smaller size may have resulted in problems of competition, capacity utilization, and efficiency emerging sooner than it did in Japan (Kokko 2002: 12).

At the beginning of the 1980s, the ROK was clearly still on its course towards development, although the economy continued to be very heavily controlled by the government. The poor performance of the ROK's export competitiveness during the last 1970s may have been the factor in President Chun Doo Hawn's attempt to once again restructure the Korean economy. The ROK took on a far more market-oriented approach from the early 1980s, and the reduction of the bias in favour of heavy industry helped to spur on a better economic performance beginning in the mid-1980s. By the 1980s, the ROK's exports were dominated by new products with higher value added such as colour TV sets, computers, and cars. Strict productive and allocative efficiency guidelines and budget constraints leading to the 1980s sent a signal to companies that import protection, subsidies, and other privileges were at best temporary (Chang 1993).

This period saw the continued rise of the Korean Chaebols despite serious attempts to bring them under control. Accounts indicate that Chun's attempts to reduce the power of the Chaebols may have actually benefited them. Among the most important moves were Chun's policies to reduce business concentration by forcing the largest corporations to sell off assets and the promotion of small and medium sized firms. The liberalisation of

certain sectors meant that the increasingly powerful Chaebol were able to seize control of those sectors at once, while efforts to reduce the concentration of ownership were far from effective (Moon 1994: 146-162). Kokko notes that the financial sector's liberalisation meant that the Chaebols were allowed to become even more independent from state-controlled credits (2002:12).

During this period, the ROK had become economically viable enough to become an interest for the EC. Korea's first agreement with the EC was in the area of textiles, signed in 1977, when Korea agreed to restrict its exports to the EC. This was most likely to be the result of Korea's emergence as a major exporter of labour-intensive products in accordance with the Second Five year Plan. This, however, would have little bearing on the future of the EC-ROK relationship, since the structure of the Korean industry was quickly moving towards higher value added exports.

Cho (1993) indicated that the earliest trade conflicts between the EC and the ROK started from three main areas in ROK's practice of domestic policy, including intellectual property rights (IPR) protection, telecommunication procurement, and taxes on alcoholic beverages. The EC's conflict with the ROK regarding the IPE and telecommunications procurement regimes appear to have existed more at the multilateral level than the bilateral level (Dent 1999:198). Whereas the US successfully managed to force the Korean government to sign a bilateral deal on telecommunications procurement in 1992 and 1993 after threatening the use of US 301 provisions<sup>15</sup>, the EC had to take the dispute to the WTO in June of 1996. An agreement was finally reached in November (Dent 1999:198).

1987 marked the year when the ROK's first democratically elected President, Roh Tae Wooh, came to power. Although Wooh's early years as president saw him follow Chin's anti-Chaebol policies, the big industries were becoming overwhelmingly influential. A few years later, heavy pressure from the industry forced Wooh to change his policies. The Democratic Liberal Party

---

<sup>15</sup> The Section 301 provisions of the Trade Act of 1974 are intended to address foreign unfair trade practices affecting U.S. trade. Section 301 may be used to respond to violations under bilateral and multilateral trade agreements that deny U.S. rights under those agreements. Section 301 also may be used to respond to unreasonable, unjustifiable, or discriminatory foreign government practices that burden or restrict U.S. commerce even if those practices do not violate the explicit terms of an international agreement.



was later established in 1990 and government policies began to change in favour of the Chaebols. The period of 1987 to 1994 saw the formal end of the ROK's military rule, an arguably superficial boom in the economy, and the beginning signs of a rocky trade relationship which would drag on throughout the next decade.

The policies of Roh Tae Wooh's predecessor, Chun Doo Hawn, may have started to bear fruit during the mid 1980s when the Korean exports to the EC jumped to US\$7377 million in 1987 from only \$4656 million the previous year. This was due to the mentioned reduction of privileges for heavy industry implemented during Chun Doo Hawn's regime, which led to improved economic performance, higher GDP growth rates, and export growth rates (Kokko 2002:12). This market-oriented approach, including measures such as cutting subsidies to strategic industries and liberalisation of the ROK's trade regime, led to drastic growth in the Korean economy and also affected the trade surplus between the ROK and the EC. ROK's trade surplus to the EC jumped to an all time high of US\$2311 million in 1987 and increased to US\$2418 million in 1988 (figures accessed from Kita.org). From 1987 to 1988, EC-ROK trade grew by 21.7 percent and the ROK's export to EC markets grew at an annual average of 26.7 percent (Dent 1999: 200).

Similar trends towards solving problems through multilateral channels occurred with the ROK's liquor tax and tariff regime. European exports to the ROK were hampered by favourable tax rates for the Korean local liquor industry and the soju. This time, direct action was not taken towards the ROK, but when the European Commission won its GATT panel dispute in 1987 with Japan over its similarly discriminative liquor laws, the ROK's negotiating power was compromised. Even then, it took a further five years before the EC managed to secure an initial agreement from the ROK. This eventually resulted in the 1993 EC-ROK Agreement on Tariffs and Taxes, although the problems did not end after this period since the Korean liquor industry continued to be heavily dominated by the Korean soju. Despite the relative lack of success in solving the problem through this agreement, it is noteworthy that individual negotiations between the EC and the ROK did not crystallise into anything substantial until the indirect impact derived from the multilateral framework of the GATT forced the ROK to negotiate with the EC. In other

words, without the indirect impact of the GATT ruling over liquor laws in Japan, the ROK may have chosen not to cooperate at all.

During this period of unprecedented growth in trade between the two partners, Korean exports were immediately hit with a number of the Commission's anti-dumping investigations. From 1985 to 1990, eighteen anti-dumping investigations were started against the EC's imports from Korea, including important products such as consumer electronics (Dent 1999: 199). This added up to a significant number of investigations, only following those instigated against China and Japan which had nineteen each. A further illustration is that in 1990, 29.5 percent of the total value of the ROK's exports to EC markets was subject to anti-dumping duties (Dent 1999: 199). To make matters even more serious, the EC's frustration over intellectual property rights, the telecommunications procurement, and liquor industry trade issues led the EC to suspend the ROK's GSP privileges from 1989 to 1992. This effectively shifted the trade surplus in the EC's favour, with results starting to show in 1991 when the EC managed to gain a small surplus of US\$166 million. This was poised to increase significantly until 1997, when the Asian economic crisis hit the ROK hard (figures from Kita.org).

In 1990, the Korean won was depreciated to increase exports, and following Wooh's policy shift in favour of Chaebols, the various nominal restrictions on Chaebol expansion that had been introduced during Chun Doo Hawn's government were lifted. This meant that new problems would arise, and by the mid 1990s, Korea was beginning to experience problems with rising labour costs, a weak banking sector, debt and financial problems of some Chaebols, and several political corruption scandals. In early 1997, the 30 largest Chaebols were facing an average debt-equity ratio of over 400 percent and a financial crisis was inevitable (The Economist, March 7 1998:6-7).

The 1997 Asian economic crisis threw what already appeared to be a fragile economic relationship between the two into further distress as in 1998, Korean imports from the EC dropped by over 50 percent to only \$10,928. With exports continuing to grow strong, the ROK had built up its first surplus against the EC since 1990 with a figure of \$7243 million. This would gradually grow to \$7635 million in 2000 before it would drop later on. Despite the drop in



the ROK's surplus against the EC in 2000 to \$4705 million, the surplus was still large and warranted the EC's immediate attention. In 2004, the ROK surplus had grown to a staggering \$13643 million.

This period also marked the beginning of the tensions which were arising due to the ROK's shipbuilding industry. With mounting problems in the areas of shipbuilding, steel, and semiconductors, the EC accused Korea of providing financial aid to its shipbuilding industries using International Monetary Fund (IMF) bailout funds (Korea Times 23/11/98). In October 1999, a Commission report asserted that excess capacities in the shipbuilding industry developed in the ROK was causing spiralling prices in the sector. Although the Koreans agreed to a Commission investigation in its shipyards, the Commission claimed that a lack of cooperation and transparency on the part of some companies made a full conclusion impossible (CEC 8/5/2001). The Commission also commented on "Korea's intransigent refusal to accept a credible and effective solution to the unfair pricing problem".

When discussions failed, the European industry (CESA) put forward a complaint under the Trade Barriers Regulation (TBR). The TBR investigations starting in 2 December 2000 showed that the Korean government had granted substantial amounts of subsidies through methods such as exports schemes by the government's EXIM bank, debt forgiveness, and debt to equity swaps initiated by the government (CEC 8/5/2001). By May 2001, another Commission shipbuilding report indicated that South Korea was building on its lead in the sector, and the same practice of driving prices down were still being deployed by Korean shipbuilding companies (CEC 2001e, 2001f). On the 30th of September 2002, EC Trade Commissioner Pascal Lamy decided to take Korea to the WTO over unfair shipbuilding practices as well as to immediately begin a temporary defensive mechanism which would protect the European shipbuilding sector (CEC 2001e, 2001f). The Koreans subsequently put in complaints against the EC on countervailing duties against dynamic random-access memory chips (DRAMs), temporary defence mechanisms in the shipbuilding sector, and shipbuilding subsidies.

Amid the shipbuilding problems, the Framework Agreement on Trade and Cooperation was inauspiciously born on the 1st of April 2001 and continues to be in force today. The agreement strongly emphasises the

important of free and fair trade, especially taking note of the shipbuilding industry in Article 8 where both parties agreed not to “take any action to support their shipbuilding industry which would distort competition or allow their shipbuilding industry to escape from any future difficult situation” (Official Journal of the European Communities 3/2001). The Agreement also took note of the area of Agriculture and Fisheries, another sensitive area for both parties, and agreed to encourage cooperation in the mentioned areas.

The EU-ROK bilateral history reveals many significant contrasts to the EU-Japan case. This is not unexpected, as the economic development of the ROK has been significantly less advanced than that of Japan's. The same is true about the overall size of the ROK economy. One would also expect that the European reaction and policy behaviour towards the ROK would be similarly adjusted to suit the situation. As noted in the introduction to this chapter, issues of exogenous versus endogenous influences, degree of cooperation and defection, and patterns of interaction and communication are key to understanding the background to the bilateral sets of history between the EU and East Asia.

First, and as expected, both endogenous and exogenous influences have had a strong effect on the manner in which the bilateral history between the EU and the ROK has developed. In the EU-ROK instance, it appears that a very strong set of endogenous factors, particularly involving the nature of the ROK's economic development, have shaped the ROK's actions towards the EU. In the ROK's initial stages as a developing economy, a state controlled economy was geared very strongly towards heavy industry exports. The Korean government, particularly during the early 60s, focused strongly on ship-building, electronics, and machinery industries. This was also coupled with policies which facilitated the growth of Chaebols, centred on an industry based on technology intensive exports. Ongoing problems regarding trade protectionism and Europe's bilateral trade deficit with the ROK illustrated several times in this section are clearly a result of the structure of the ROK's export oriented, large conglomerate industries.

Equally noteworthy is how the literature on EU-ROK relationship appears to treat European action as collective right from the 60s (Cho 1993, Dent 1999, Cherry 2001). This suggests that the EC member states appear to



have agreed to have given competency in dealing with the ROK directly to the European Commission very early on. An explanation for this is possibly because the size of the Korean economy simply led to indifference among the European member states, particularly during the beginning of the relationship. The pattern of behaviour appears to have perpetuated throughout the history of interaction, with the European Commission handling most of the relationship on behalf of the EU member states.

The historical evidence in this section suggests that the main exogenous effects were the 1997 Asian economic crisis which aggravated the EU's bilateral trade deficit with the ROK, as well as the evolution of global multilateral institutions. The EU-ROK case is very unique in that almost every single dispute has been taken to GATT or WTO dispute settle mechanism, or at least indirectly influenced by it. This appears to point towards the failure of bilateral dialogue although this will be discussed in more detail in the following Chapter where contrasts to China and Japan can be made.

The second main feature of the EU-ROK partnership follows on from this point, and the degree of EU-ROK cooperation appears to have been on the low side, often verging on defection. The early periods, until the early 1980s, was mainly marked by indifference on both sides. When the Korean export-oriented economy began to take shape, it resulted in a range of disputes ranging from IPE, telecommunication procurement, alcoholic beverages taxes, and ship-building practices. Particularly because the EU-ROK disputes have mainly been taken to GATT or the WTO serves as proof that there has been little attempt to reconcile policy differences or to cooperate.

The third main feature directly relates to the second, and draws on the historical evidence to suggest that a pattern of interaction and communication remained relatively underdeveloped, even at the start of the new millennium. A strong code of conduct or a system of dialogue as is evident in the EU-Japan Hague Declaration does not exist, and the EU-ROK 2001 Framework Agreement on Trade and Cooperation is littered with clauses emphasising the problems of trade between the partners such as ship-building and agriculture and fisheries. This underdevelopment of dialogue, codes of conduct, and trust

presents a puzzle for this research and is also discussed in further detail later in this Chapter.

**Table 13: EC-ROK Evolution of Cooperation**

Date	EC's Stance	Surrounding Circumstances	Outcome
1950-1979	<i>Defection (Indifference)</i>	Strong US influence, centralisations of the ROK's economy, creation of Chaebols	ROK's concentration on heavy and chemical industry, ROK economy heavily export orientated, slow growth of ROK economy and close ties to US resulted in relative indifference from the Europeans
1980-1994	<i>Defection</i>	Rapid rise of Chaebols, bigger ROK economy, European integration becoming stronger through SEM and Maastricht Treaty, rise of global multilateral institutions, formal end of ROK military rule (1987), some attempt at stemming Chaebols by Roh Tae Wooh	Numerous ROK government policies favouring Chaebols, increased EC trade deficit, several disputes taken to the GATT, suspension of ROK's GSP preferences (1989-92), beginning of a number of high level consultations between the partners, the protection of Korean Chaebols and their primary industries becoming a serious problem for the EC
1995-Present	<i>Defection</i>	Asian economic crisis, restructuring of the ROK's corporations, revival of ROK economy	Numerous complaints taken from the EC to the WTO, 1996 Joint Framework Agreement, beginning of ROK's large trade surplus against the EC, tensions mounts concerning ROK's shipbuilding industry

### EC-China: A Case of Evolving Cooperation

One of the main features which set the EC-China partnership apart the EC-Japan and the EC-ROK partnerships is how the EC and China were able to establish an early partnership devoid of the direct involvement of the Americans. The 1954 Geneva conference may have proven to be one of the major landmarks which had a positive impact on the relationship between China and Europe. During a period when China urgently needed a number of goods the Soviet Union were unable to provide, the West Europeans held a friendlier attitude towards the Chinese than the Americans. The positive attitude the Europeans appeared to offer might have been critical in improving subsequent commercial and political relationships. The French and British sincerely believed that China could possibly have a role in maintaining peace



and elections in Indochina. Following the Geneva conference, trade quickly increased between China and West European countries with West Germany, Britain, and France being the largest traders with China (Shambaugh 1996:5). At this stage, the USA had already terminated all commercial ties with China after Mao's accession to power. The USA also tried to influence its Western allies to restrict the export the strategically sensitive products to communists through the Paris Co-ordinating Committee (COCOM) (Dent 1999: 129).

The 1960s Sino-Soviet split was the next crucial period in the European's early relationship with China. When the Sino-Soviet relationship parted ways in 1960, China found itself increasingly dependent on West European commerce. In 1964, French President Charles de Gaulle gave French diplomatic recognition to China. Kapur describes a "three-pronged policy" whereby the Chinese under the leadership of Liu Shaoqi and Den Xiaoping used public relations, economic initiatives and diplomacy to improve its relationship with the West Europeans, particularly the members of the EEC (1986:8-15).

The years between 1971 and 1985 proved a critical time for both Chinese domestic reform and its interaction with the international community. To begin with, this marked a period when China finally became fully accepted by the international community and the Western blockade against China ended. This was also a period when Deng Xiaoping's market reforms started to take place, thus enabling China to enter the international trading arena with a renewed vigour. Finally, this period was when the international trading community finally realised the possible impact the Chinese trading capacity could have, and this was marked by increased signs of protectionism against China's products.

When the Cultural Revolution ended in China, it gave the opportunity for the moderates in the Chinese Communist Party (CCP) to have a larger role in the domestic policy making process. It is assumed that Mao Zedong's assent to separate foreign affairs from internal issues might have been the key to China's friendlier attitude towards the world community (Kapur 1986:23), and this opened up the opportunity for the West to engage China in a friendlier manner. China was officially admitted to the United Nations in October 1971 and this was followed by the normalisation on Sino-US

relations, highlighted by President Nixon's visit to China in February 1972. The resumption of normal ties between the Americans and the Chinese meant that China's foreign relations with other countries would also be altered accordingly.

China welcomed the EC enlargement in 1973, because it allowed a challenge to the bipolar status quo, even when Beijing recognised that the grouping could bear more economic power than political power in the global arena (Dent 1999:132). It appears that due to the EEC's leveraging of the bipolar status quo, the group's autonomy from the US, the possibility of military autonomy, and the general lack of any controversial conflicts with China, the EEC had become one of the most attractive partners for China as it looked outwards (Kapur 1986: 24-25). This put the EEC in perfect position to extend recognition to China in 1975, while China also became the first communist country to recognise the EEC (Shambaugh 1996:12). Kapur describes a transition from "communicatory diplomacy" between China and the EC to "exploratory diplomacy" and "operational diplomacy" (1986: 26-30). These were a series of developments which started from favourable communications between the two partners, which later developed into high-level meetings, and later yielded results to full fledged cooperation starting from European Commission Vice-President Sir Christopher Soames' visit to Beijing in 1973 (Kapur 1986: 26-30).

The fruits of this quick transition in the relationship between China and the EC were quickly visible. As bilateral trade agreements between individual member states and China were due to end in 1974, the European Commission was given the duty of conducting future trade negotiations with China in accordance with the EC's Common Commercial Policy (CCP). This assignment of competence to the EC yielded a quick progression in the formalised relation and resulted in the EC's first bilateral trade agreement with an Asian country in 1978. The 1978 EC-China Trade Agreement subsequently became the first agreement that the EC had agreed with a NME, and became the most institutionalised component of the EC's interaction with China (Wong



2005:5)<sup>16</sup>. It is noteworthy that constant political problems between China and individual EC states convinced the EC states to give their support to the Trade Commissioner in order to improve their economic leverage as a powerful trading force in the Chinese market (Wong: 2005: 6).

The 1978 framework was later extended to the hotly debated 1979 Textile Agreement. After talks between the Americans and the Chinese on textiles had broken down, the Chinese, who were very eager to reach some sort of agreement, backed down and accepted a quota for 40,000 tons of textile. This was down from the 60,000 tons the Chinese had insisted on from the EC in the beginning stages of negotiation (Kapur 1986: 62-63). The fact that the EC and China managed to reach an agreement while this was not the case with the Americans is an indication of a high degree of willingness to cooperate between the Chinese and the Europeans.

By the 1980s, the EC was already beginning to feel pressure from the Chinese rise in economic power and a number of protectionist forces were being put into place. According to Dent, China attracted an average of two Anti-Dumping Duties per year from the EC, considered to be a rather high number in relation to its other trading partners (1999: 134). Safeguard measures were also being used against low-cost Chinese exports considered to have "injurious competition" effects against industries in the EC. China's export to the EC had increased from Ecu628m in 1975 to Ecu1786m in 1980, and Ecu 3936 in 1985 (Dent 1999: 134).

The 1978 Agreement on Trade and Economic Cooperation between the EC and China continued to point towards trends of protectionism by the EC against Chinese imports (CEC 1978). This included a safeguard clause allowing the EC to take unilateral action against sudden influxes of Chinese imports, a restrictive most-favoured nation treatment clause whereby the Chinese were not given the treatment as the GATT countries, and a clause which protected against Chinese sales at low prices (CEC 1978, Kapur 1986:47-48). The content of the 1985 revision to this agreement remained essentially the same (CEC 1985), which is not surprising considering the

---

<sup>16</sup> The details of this bilateral framework agreement are to be discussed in greater detail later in this Chapter.

extent of China's economic growth during the period spanning the two agreements.

A number of factors may have been the cause for the cooling of the relationship between the EC and China over the years from 1986 to 1993. To begin with, the EC was suddenly finding itself a less important partner for the Chinese. Additionally, the EC's internal changes marked by the 1986 Single European Act and the Single European Market may have drawn its attention inwards instead. The steady rise of trade interaction between the EC and China saw Chinese exports to the EC triple to reach Ecu9.1bn from 1986 to 1989, resulting in the beginning of a trade deficit problem (Dent 1999:136). Finally, the Tiananmen Square massacre also saw the brief disruption of a steadily maturing relationship.

While these were critical times for the relationship between the EC and China, it was clear that the institutionalisation of the relationship as well as established dialogue between the partners were at a strongly developed level. At this stage, regular contacts were in place to resolve any trade issues in the China-EC Joint Committee, in accordance with the 1985 framework agreement. When the EC launched its 1995 Communication of the Commission: A Long Term Policy for China-Europe Relations, the Chinese was already making positive moves to liberalise its economy (Kokko 2002: 25). According to Kokko, China had several unilateral import tariff rates since the early 1990s, and several reforms were resulting in an increased degree of current account convertibility (2002:25).

The EC's vociferous support for China's early entry in the WTO may have been one of the turning points of the EC-China relationship. The EC supported China's entry as a developing nation, and these offered far more preferential entry terms than the Americans would have wanted. This was reaffirmed in writing in the Commission's 1995 Communication where it stressed that China was "yet to become a developed economy" (CEC 1995 C3)<sup>17</sup>. In March 1994, the European Commission and China initiated bilateral discussions under the GATT Working Party on China to encourage reduction of NTBs and what was considered to be a monopolistic foreign trade regime in

---

<sup>17</sup> Details of the communications and framework agreements are extensively discussed later on in this Chapter.



China (Shambaugh 1996:23). The EC clearly saw itself as having a major part in China's impending membership to the WTO, indicating in writing that the "EC consistently sought to accelerate progress towards a decision on Chinese membership" since China's application to return to the GATT in July 1986, and that the EC had a "leading role in the negotiation" (CEC 1995 C3). This has also been reflected in bilateral trade discussions since 1992 which, according to the Commission, have promoted China's economic and trade reforms, helped China into the multilateral trade system, and achieved better market access for European goods and services (1995 C4).

In 1996, the EC made the critical proposal that China be given transition periods to implement certain WTO obligations after WTO accession. This was eventually accepted by the WTO members. In 1997, China agreed to phase out its trading monopoly and give full trading rights to all Chinese and foreign individuals within three years of accession. China also agreed to fully implement the WTO TRIPs agreement upon accession. This was followed by China's announcement that it would undergo an overall restructuring of the state enterprise sector, as well as some measures of privatisation.

Given the clear intentions of the European Commission, it is to be expected that some sort of breakthrough would be achieved soon. In October 1997, the European Commission referred to a "conceptual breakthrough" in its bilateral accession negotiations with China, and a provisional deadline of December 1998 was set for China's WTO accession (Dent 1999: 147). During these critical periods, the first EC-China Summits were held in 1998 and 1999, bringing along an expansion of the political as well as the economic dialogue. The actual signing took place on May 2000, allowing China to accede to the WTO. It should be noted that this did take place slightly after the US concluded its own bilateral agreement with China in 1999.

While the maturing relations and dialogue between China and the EC went on between 1995 and 2000, the deficit between the trading partners continued to grow. EC imports increased from Ecu26.4bn in 1995 to Ecu69, 6bn in 2000, while EC exports only added up to Ecu14.6bn in 1995 and Ecu25.4 in 2000. This meant that the EC Member States trade deficit with

China had quadrupled from Ecu11.6bn in 1995 to a staggering Ecu44.6bn in a mere period of only five years (Allen 2002).

In 2003, China had become the EC's 2nd largest biggest trading partner after the US, but at this stage, the EC had already amassed its biggest bilateral trade deficit of Ecu64bn against the Chinese. This was, according to the Commission, continuing to widen (CEC 2005). Between 1998 to 2003, the EC's FDI in China had increased so that the EC was becoming a major player in China (MOFCOM/MOFTEC).

In the Commission's Policy Paper of 2003, praised China for making considerable efforts to keep up its WTO accession commitments although it notes substantial concerns concluding the intransparency of economic governance, restrictive regimes in certain sectors, and introduction of new non-tariff barriers. The EC clearly stated that a year and a half after China's WTO accession, the EC continues to counter problems with market access, services, the enforcement of intellectual property rights, and the respect of international standards (CEC 2003: 15-16).

If a single feature were to mark the difference between the EC-China partnership against the EC-Japan and EC-ROK partnership, it would be the manner in which the EC-China partnership has been marked with continuous cooperation right from the beginning of the EC's history. Issues of exogenous against endogenous effects and patterns of interaction and communication continue to play extremely important roles in the EC-China cooperation process, but in this particular case, dialogue appears to have resulted from familiarity and continuous dialogue rather than from conflict as was the case with the EC's partnership with Japan and the ROK.

The first main feature of the EC-China partnership is based on exogenous effects, and focused mainly on the lack of US involvement in the partnership. The US's refusal to engage with China after World War II provided the Europeans with an unique opportunity to engage with the Chinese. This was not the case with Japan and the ROK where the US had exceptionally close ties to the East Asians. West Europe were quick to engage with the Chinese during this period of US hostility against the Chinese and at the 1954 Geneva conference, this provided the Europeans with the opportunity to engage in a healthy trade relationship with the Chinese.



Eventually, it appears that the EC-China trade partnership has become based on this long and steady cooperative relationship which began from the 50s. When the US finally attempted to re-establish trade with the Chinese, it had an important impact by reducing the EC's trade share with China, but the cooperation remained and the examples in this Chapter have shown how EC-China hostilities were resolved quickly, perhaps due to the familiarity and long-standing dialogue between the two.

The second main feature is the manner in which endogenous effects appear to have been handled in a far more cautious manner by the Europeans. Endogenous effects, particularly China's opening of its economy during Deng Xiaoping's rule, has resulted in a widening trade gap between the EC and China. The EC's trade deficit against China is unprecedented, although in 2005 where this analysis ends, the effects of the ever-widening trade gaps are yet to be seen. On the European side, the Commission's collective action in dealing with the Chinese has proven to be effective, with most of the European countries preferring to hand over competency to the Commission ever since the Geneva conference. This competent trend has broadly continued, apart from perhaps a minor incident involving textiles exports to the EC in 2005 (commonly referred to as the bra wars) which was later resolved amicably.

The third main feature of the EC-China relationship relates directly to the first and second features and suggests how a long history of interaction and communication has resulted in an optimistic and cooperative attitude between the partners. Numerous communications by the Commission portray an exceptionally cooperative and patient undertone. This is despite some reference to China's alleged violation of human rights. This Chapter has also some instances of conflict resolution between the EC and China which were successfully resolved bilaterally without the need to bring disputes to the WTO. This provides a marked difference with the EC-ROK partnership and is an issue which is explored in further detail in the latter section of this Chapter.

Table 14: EC-China Evolution of Cooperation

Date	EC's Stance	Surrounding Circumstances	Outcome
1950-1970	Cooperation	Communist and USSR dominance, China's anti-American attitude, US embargo on trade with China, Sino-Soviet split in 1960s, Chinese dependency on Europe imports	1954 Geneva conference established friendly ties between Europe and China, continued friendly relationship and increase in trade throughout the period
1971-1985	Cooperation	End of Western blockage against China, end of China's Cultural Revolution, establishment of EC's CCP,	China admitted to UN, EC extended recognition to China, 1978 EC-China Trade Agreement, amicable resolution of textile dispute, rising EC deficit against China, some EC safeguard clauses against China (but well accepted by China)
1986-1993	Cooperation	Tiananmen Square, establishment of SEM, growth of China-US relationship, China's application to GATT, 1992 Maastricht Treaty	Temporary suspension of trade due to Tiananmen Square but quick resumption, continued and drastically increasing EC bilateral trade deficit,
1994-Present	Cooperation	Increased role of the EC Commission, EC helping China to join the WTO,	1995 Commission Communication, China's WTO accession, first EC-China summits, largest ever EC trade deficit against any partner, China became the EC's 2nd largest trading partner after the US



## Reflections on the Evolution of Bilateral Cooperation between the EC and East Asia

This brief examination of the vertical dimension of the EC and its three main East Asian partners has provided this research with some highly significant snapshots of the evolution of cooperation in the EC-East Asian history. The studies have identified, in slightly different ways, a steady creation of a habit of interaction between each of the relationships. This has been created very successfully through high level meetings between the European Commission and the respective East Asian governments. The habit of interaction has appeared to have led on to numerous framework agreements which have helped to shape the relationship between the EC and the East Asians, as well as to improve trust between the trading partners.

The study has also identified the numerous conflicts between the EC and the East Asian governments, although the conflict resolution methods appear to have been critically different from case to case. In the case of the EC and the ROK, these trade conflicts do not seem to have been resolved amicably, and often have been referred on to the WTO for further adjudication. In the other two cases of the EC with Japan and China, while some issues have been problematic, negotiations seem to have been more successful. This raises the question of whether multilateralism is a last resort means for conflict resolution when bilateralism has become deadlocked. With the ROK being the least powerful economy in the comparative pilot studies, it also flags the issue of the unequal status of partners within the global political economy and whether this might mean a more heavy handed approach to negotiations by the more influential economy.

The vertical dimension analysis also shows clearly different patterns in the EC's dealings with the East Asian economies. While the EC history of bilateral interaction with Japan points towards a trial and error phase in the EC's development of external economic policies, the other two East Asian states have been faced with different reactions. The ROK may have become a victim of defection by the EC, an act evidenced by the constant referral of cases to the WTO and ongoing conflict in the case of the ship-building

industry. The EC may, however, have attempted to shape the mode of cooperation with China by aiding Chinese entry into the WTO. These are significant points to remember as this research continues.

The analysis of the vertical dimension in the EC-East Asian bilateral interregional interaction has brought out the intense significance of material interests in bilateral relationships. Several highlights in the relationships, including major periods of cooperation or defection, appear to have been brought about due to material interests. A case in point is when the bilateral trade deficit the EC continually faces against the booming East Asian economies unfailingly brought about spouts of defection and negotiations, which often lead towards cooperative habits such as the habit of interaction mentioned earlier. The mutual dependence of the EC and the East Asians as important trade partners has also helped most of the relationships to result in cooperation. Material interest appears to have driven these bilateral relationships, and while rules can be constantly revised in such a relationship, willingness to cooperate due to mutual material interest could possibly be the key to an evolution in cooperation. Whether material interests truly have such a key role in the evolution of bilateral relations is an issue which is explored in further detail in this Chapter.

### *Material, Institutional and Ideational Influences in Bilateral Interregionalism*

The principal aim of the analysis of the horizontal dimension of EC-East Asia's interregional bilateralism is to identify the role of material interest, institutions and ideas from the three key elements which include trade data, institutionalisation and dialogue intensification, and rhetorical elements extractable from the various strategic documents and communications. The first part will go through the bilateral trade statistics between the EC and East Asia in detail and attempt to discover how changes in the pattern of trade and the number of contacts may have affected the relationship. This section is primarily an analysis of the material interest in the partnership and how much importance the partners attach to material interests identified with trade.



The second part focuses on the process of bilateral institutionalisation and dialogue intensification of the bilateral relationship between the EC and East Asia. This section attempts to single out the key highlights concerning institutionalisation in the relationships and view similarities and differences in the manner in which both the EC and their East Asian counterparts have engaged in intensified dialogue to deal with the problems as well as the successes in cooperation. It is expected that material interest and ideas will have its own role to play in this second key element. This test of bilateral institutionalisation and dialogue intensification will be a key determinant in verifying the material interest or ideas involved in the EC-East Asian bilateral relationship, as well as serve as a test of how institutions have played a mediating role between material interest and ideas.

The final part goes through each of the main framework agreements in each of the relationships and examines the rhetoric and meanings, which could be derived from these key documents. Through the rhetoric in this third key element, it is expected that the balance between material interest and ideas will also emerge. By the end of the Chapter, the EC-East Asian bilateral relationship will have gone through a triangulation of the three key elements, which is expected to portray how the balance between material interest, institutions and ideas has helped us to gain further insight into bilateral interregional cooperation.

## *Trade and Material Interest*

### Current Aggregate Trade Volumes

One of the key determinants of how significant a relationship is centres on how much economic interaction occurs between trade partners. This first part sets out three important issues concerning trade aggregates. The first issue is the individual East Asian states' significance as the EC's trading partners. The second issue involves how long the partners have been trading with each other and when this trade started to spark interest between each other. The third issue concerns the relative importance between the EC-East Asian

partnerships over different periods of time. These three issues directly involve aggregate trade volumes between the EC and the individual East Asian states and are designed to broadly highlight how trade volumes largely affect the material side of the relationship.

Examination of the East Asian states' significance as EC trading partners, the first issue in question, draws out the material dimension of power asymmetry. In other words, the chance for cooperation is much higher if the partners are on equal standing and if reciprocity can be provided. Japan, China and the ROK all have different standings in their significance as an EC trading partner and the bearing the different standings have on the bilateral relationships can be clearly indicated from the aggregate trade volumes.

Despite being Asia's fourth largest economy, the ROK is only the EC's 18th largest export market and its 8th largest source of imports<sup>18</sup> placing the ROK at a marginally inferior position to its counterparts when discussing overall economic significance for the EC. Japan, while being one of the main pillars of the world economy and the largest economy in Asia, is the EC's fifth largest export market and also fifth largest source of imports<sup>19</sup>. Overall, China's recent economic realisation has seen them become the EC's second largest trading partner after the US<sup>20</sup>.

The opposite side of the equation and whether the EC is an equally significant market for the East Asian nations is also an important consideration. Japan is currently the fourth largest source of imports into the EC and owns a 7.2% share of the EC import market<sup>21</sup>. For China, the EC would hold considerably more significance trade-wise, since in 2004, the EC became China's largest trading partner<sup>22</sup>. The same could probably be argued for the EC's significance for The ROK, since the EC is currently The ROK's third largest trading partner and its largest investment partner<sup>23</sup>.

---

<sup>18</sup> [http://europa.eu.int/comm/external\\_relations/south\\_the\\_ROK/intro/eco\\_trade\\_rel.htm](http://europa.eu.int/comm/external_relations/south_the_ROK/intro/eco_trade_rel.htm) (accessed 23rd June 2005)

<sup>19</sup> [http://europa.eu.int/comm/external\\_relations/japan/intro/eco\\_trade\\_rel.htm](http://europa.eu.int/comm/external_relations/japan/intro/eco_trade_rel.htm) (accessed 23rd June 2005)

<sup>20</sup> [http://europa.eu.int/comm/external\\_relations/china/intro/index.htm](http://europa.eu.int/comm/external_relations/china/intro/index.htm) (accessed 23rd June 2005)

<sup>21</sup> [http://europa.eu.int/comm/external\\_relations/japan/intro/eco\\_trade\\_rel.htm](http://europa.eu.int/comm/external_relations/japan/intro/eco_trade_rel.htm) (accessed 23rd June 2005)

<sup>22</sup> [http://europa.eu.int/comm/external\\_relations/china/intro/index.htm](http://europa.eu.int/comm/external_relations/china/intro/index.htm) (accessed 23rd June 2005)

<sup>23</sup> [http://europa.eu.int/comm/external\\_relations/south\\_the\\_ROK/intro/eco\\_trade\\_rel.htm](http://europa.eu.int/comm/external_relations/south_the_ROK/intro/eco_trade_rel.htm) (accessed 23rd June 2005)



These figures put the ROK firmly last and in the position of arguably the least significant trading partner among the three East Asian economies chosen for this study, meaning that materially, the ROK has the least to offer the EC. This also means that the power asymmetry between the EC and the ROK is also the greatest. Whether statistically, the Japanese or the Chinese are more significant for the EC is debatable. Japan is clearly the larger economy by far, but the priority each side of the partnership places on the trade relationship appears to be less, especially when considering that the total trade between the EC and Japan only added up to ECU116950 million in 2004. In contrast, the total trade between the EC and China amounted to ECU175040 million in the same year. Even though the Japanese economy is a more significant one in Asia, the peaking trade relationship between the EC and China and the priority the partners give to each other may put China in front of Japan. The EC and the ROK presents a clear case of disparity between their relative significance for each other. While the ROK is far behind Japan and China in terms of its trading status with the EC, the EC is one of the ROK's most important trade partners.

**Table 15: EC Trade main partners 2004 (Eurostat)**

Rank	Major Imports	Mio euro	%	Rank	Major Exports	Mio euro	%	Rank	Major Trade	Mio euro	%
2.	China	126912	12.3	3.	China	48 131	5.0	2.	China	175 043	8.8
4.	Japan	73 745	7.2	5.	Japan	43 210	4.5	5.	Japan	116 955	5.9
8.	The ROK	30 251	2.9	13.	The ROK	17 815	1.8	8.	The ROK	48 066	2.4

The second issue under consideration in trade aggregates concerns when the relationship became more substantial and the partners began to take an increased interest in each other. Once again, this draws attention to the material side of the partnership and draws on the idea of reciprocity and power symmetry. In other words, one would expect the partnership to gravitate towards indifference, or even defection, when the partners have little material interest to offer each other. The contrast is also true, and if there is a move towards more material reciprocity and power symmetry, one would expect enhanced cooperation, or at least an active attempt to cooperate.

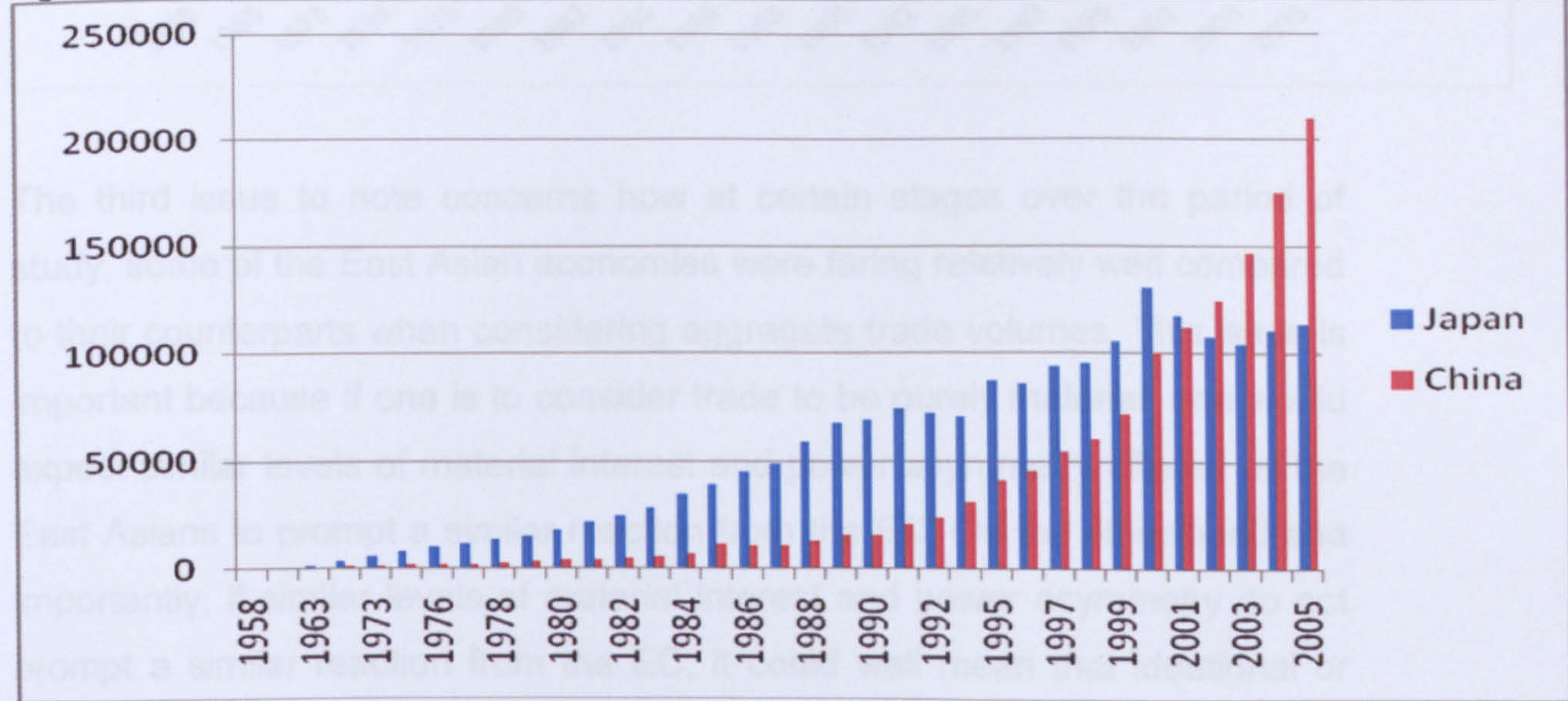


Aggregate trade figures measured over the years are an objective way of measuring this power symmetry and material reciprocity and its effects on cooperation between the EC and East Asia.

Japan's economic development was felt throughout the world as early as in 1963 and this was reflected in the relationship with the EC when in 1970 it was already trading ECU3292 million with the EC, while the Chinese and the ROK were still trading ECU809 and ECU214 respectively. It took China and the ROK almost a decade to reach an equally significant level in imports and by 1980 Japan's trade with the EC had already grown to ECU17893 million, compared to China's ECU3641 million and The ROK's 2967 million. At this stage, the EC's focus was almost entirely with Japan, while it was indifferent with China and the ROK.

The indifference in China quickly changed 22 years later, in 2002, when China had caught up and overtaken the Japanese in terms of aggregate trade with the EC and was trading ECU124470 million while the Japanese dropped behind to ECU116740 million. While EC trade with China has steadily risen, the sharpest rise appears to have begun from 1999 onwards with trade more than doubling between 1999 and 2004.

Figure 5: Comparing Japan and China's Aggregate Trade with the EC (compiled from Eurostat)

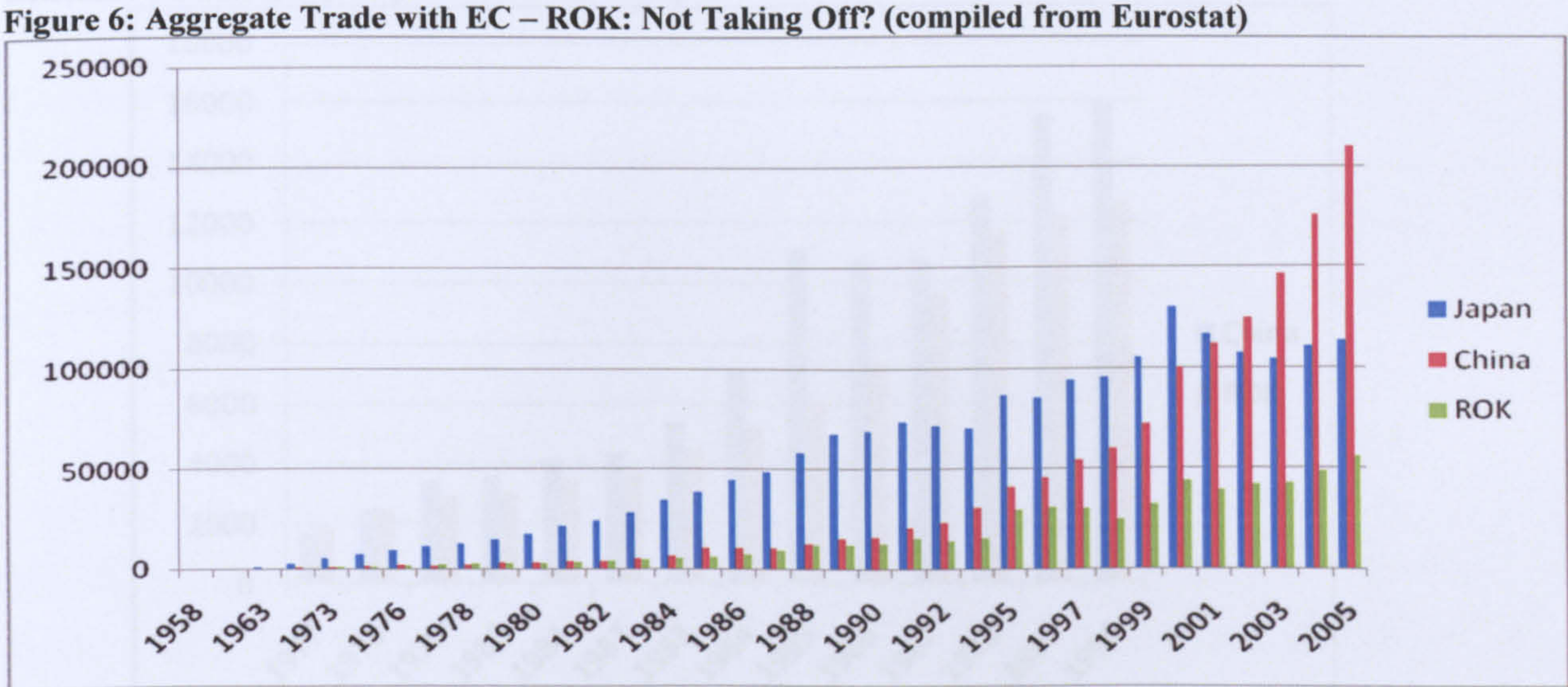


Since 2001, aggregate trade between the Japanese and the ROK with the EC has remained steady while EC trade with China has sharply risen and



stands at ECU175040 million in 2004 compared to ECU116950 million and ECU48060 million for Japan and the ROK respectively. ROK trade with the EC in particular appears never to have taken off in the spectacular manner in which the Japanese and Chinese trade with the EC did at different periods of time. It appeared to gain momentum between 1998 and 2000 where aggregate trade almost doubled, but the level of trade has levelled off since 2001 (also see Figure 5). At no point has trade between the EC and the ROK ever reached the levels of the EC-Japan and EC-China partnership, perhaps accounting for the relative indifference the EC has continually had towards the Koreans.

Figure 6: The ROK and China Aggregate Trade with the EC Compared to Japan Aggregate Trade with the EC (compiled from Eurostat)



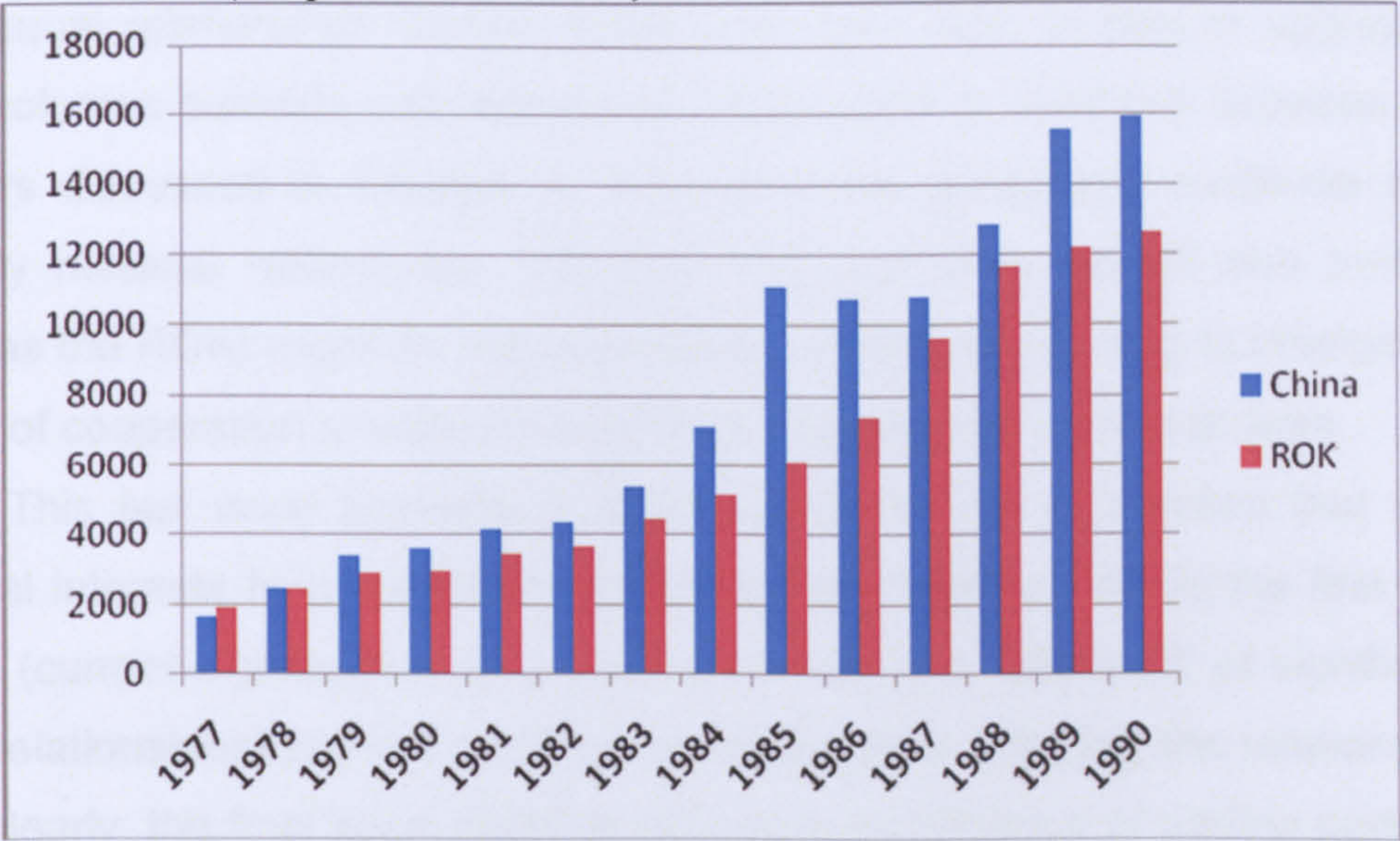
The third issue to note concerns how at certain stages over the period of study, some of the East Asian economies were faring relatively well compared to their counterparts when considering aggregate trade volumes. This issue is important because if one is to consider trade to be purely material, one would expect similar levels of material interest and power asymmetry offered by the East Asians to prompt a similar reaction from the EC. On the other hand and importantly, if similar levels of material interest and power asymmetry do not prompt a similar reaction from the EC, it could well mean that ideational or institutional factors may have had an effect in the partnership prompting the different reactions.

Looking at the significant trade relationships, and the relative economic importance between the EC-East Asian partnerships over periods of time,



Between 1976 and 1990, it is important to note that EC-ROK trade was more or less on a par, or less by just a few percent, with EC-China aggregate trade volumes. In 1977 and 1978, EC-ROK aggregate trade volume even overtook the EC-China trade volume. Contrary to expectations that the cooperation levels between the EC-China and the EC-ROK relationship would be similar due to similar levels of trade aggregates (see Figure 7), Chapter 4's historical accounts showed that the defection by the EC from cooperation with the ROK during 1976 to 1992 was far more pronounced than in the EC-China relationship.

**Figure 7: The ROK and China Aggregate Trade with the EC Compared: Same Aggregates, Different Treatment? (compiled from Eurostat)**



Instead, the EC-China relationship was held rather steady and without major cases of EC defection to speak about. A similar trend took place with the EC-Japan and EC-China relationship between 2000 and 2004 when both partnerships became virtual equals as concerns aggregate trade volume, although it is significantly different in that the EC-China trade volume has continued to rise sharply. In this instance, the historical story in Chapter 4 appears to point towards continued cooperation in both partnerships, and even an enhanced level of maturity in the EC-Japan relationship.

These three issues, the current significance as a trading partner, the “taking-off” of significant trade relationships, and the relative economic importance between the EC-East Asian partnerships over periods of time,



must be called to attention because trade figures appear to have caused certain impacts in the levels of cooperation in each of the partnerships being discussed. The factors draw attention to the material side of the EC-East Asian partnerships and raise the possibility that the unevenness in cooperation may be due to rises and declines in trade. This analysis of the statistical factors offers specific years when a relationship takes off as a point of interest. It also offers specific periods when two relationships should be of more or less equal economic importance, and also specifies points in time when the relationships started to become unequal. Finally, the relative economic significance of each country as a trading partner and the possible disparity of one country's trade dependence on another might possibly cause an unequal relationship. Certain timeframes with rises or falls in aggregate trade volumes coincide with actions of cooperation or defection between the partners discussed in Chapter 4. This could be considered evidence of a strongly material relationship. Likewise, the manner in which one partner (such as the ROK) might be less significant, or unequal, leading to changes in trends of cooperation or defection could also signify materialism at work.

This last issue presents a slight puzzle for the suggestion that only material interests hold the bilateral partnerships together. While the first two issues (current significance as a trading partner and 'taking-off' of significant trade relationships) pointed out towards materialism affecting the relationship quite clearly, the final issue (relative economic significance of trading partner) shows a disparity in that equal economic significance sometimes does not translate to the EC treating the partners in the same way. This was evident from 1976 to 1992 when the ROK and China had similar economic significance, and yet the EC showed more instances of defection from the ROK while continuing to enhance cooperation with China. This could be due to two variables, one being that institutional and ideational factors could be responsible for the EC's varied treatment of its two East Asian partners, an issue discussed in detail later in this Chapter. The second variable is dealt with in the next section, and deals with the highly significant issue of trade balances.

## A Question of Trade Deficits

Any discussion of the bilateral trade relationship between the EC and East Asia, reflecting the material side of the partnership, cannot be complete without mentioning trade deficits. This has been the major problem in the EC-East Asia trade relationship and several high level discussions are centered mainly on the level of trade deficits as well as how to reduce it. The EC's trade balance with the East Asian states being studied can be used in a similar manner to the aggregate trade volume discussed previously. Periods when the EC trade deficit started to become an issue and a comparative trade balance analysis between each of the EC-East Asian relationships are important because if this relationship is to be considered as shaped by material considerations, one would expect the issue of trade balances to be a factor in cooperation or defection. To be precise, the larger the imbalance, the more we would expect defection to take place.

This section proposes a number of issues concerning trade deficits. First, one might expect trade deficits experienced by the EC to cause the EC to defect from the relationship, according to the simple rules of the Prisoner's Dilemma due to one side of the partnership losing out from the deal (Axelrod 1984). Secondly, the EC might choose to sustain the relationship in the face of trade deficits due to the "shadow of future" where the EC feels that they cannot avoid gaining contact with a partner in the future (Axelrod 1994, 2001a). In other words, cooperation could take place without reciprocity if one player sufficiently "believes" in another player enough to cooperate with him/her (Axelrod et al 2001:441-443). Thirdly, there is a possibility that ideas, codes of conducts, and values might sustain the relationship even though the EC is facing sharp trade deficits (discussed in Chapter 3). It is important to note in this third scenario that though the relationship may be sustained, the partnership may have cooled off or even drifted into slight indifference due to the lack of reciprocity.

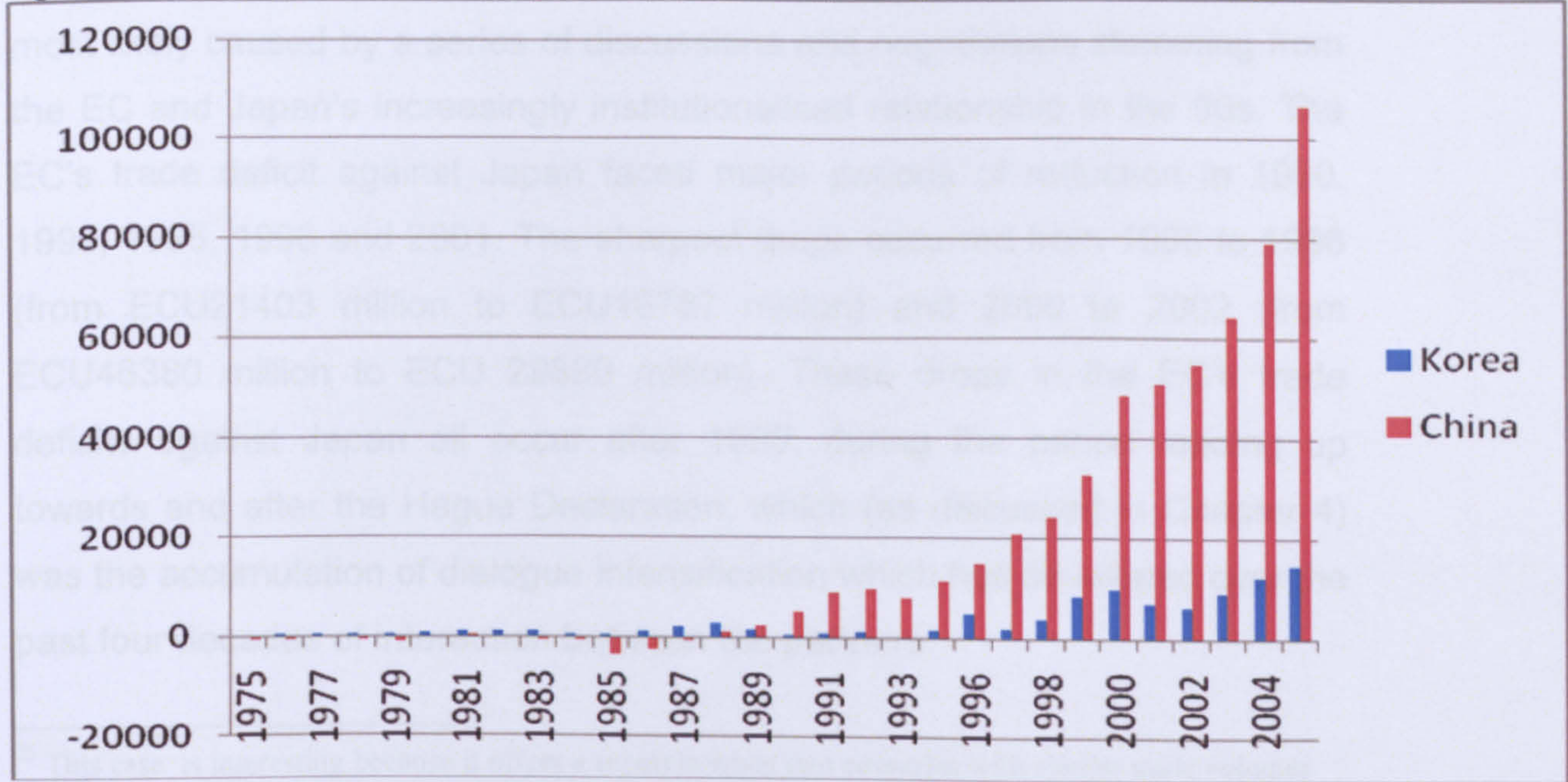
The first scenario, suggesting the EC's defection from the relationship, is most obvious in the case of its relationship with the ROK. The ROK has enjoyed a long history of trade surpluses with the EC beginning in as early as 1975, although the amount has fluctuated throughout the period. Drastic leaps



came from 1995 to 1996 (ECU1584 million to ECU4917 million) and 1998 to 2000 (EC surplus of ECU6059 million to deficit of ECU100000 million). The ROK seems to have been more drastically affected by the 1997 Asian Economic Crisis, but it has since recovered and in 2004, enjoyed its highest trade surplus against the EC of ECU12440 million. As suggested in Chapter 4 and to be re-emphasised in Chapter 7, the EC-ROK relationship has been a troublesome one with several unresolved trade conflicts and few instances of mutual cooperation.

Traces of the second scenario, with a non-reciprocal trade relationship being sustained due to “shadow of future” can be seen in the EC’s relationship with China. China’s trade surplus with the EC began only in 1988 but continued to rise sharply afterwards with only slight signs of levelling off from 1991 to 1993. Afterwards, it began to rise drastically until in 2004, China’s trade surplus of ECU78780 million became the EC’s largest trade deficit with any partner<sup>24</sup>. Surprisingly to observers, the EC has not reacted negatively and has made attempts to integrate China into the world economy further by helping China to enter the WTO as well as framing numerous strategic documents with the Chinese (see next section and Chapter 4).

Figure 8: Korea and China's trade surplus with the EC compared (compiled from Eurostat)



<sup>24</sup> [http://europa.eu.int/comm/external\\_relations/china/intro/index.htm](http://europa.eu.int/comm/external_relations/china/intro/index.htm)



Comparatively, Japan's trade surplus over the EC has been the norm and it stood much higher and formed a more significant issue for the Europeans until 1995. It was only in 1996 when the Chinese trade surplus got anywhere close to the Japanese trade surplus against the EC. China's trade surplus with the EC eventually overtook Japan in 2000 and eventually more than doubled that of Japan's. A comparison between the ROK and China from 1958 to 1989 is less straightforward due to the fluctuation of the trade balance between the EC and China. Nevertheless, one might suggest that the EC may have seen its trade deficit with the ROK to be more of a problem than its trade with China due to the fact that at several stages from 1958 to 1989, the EC actually had a healthy surplus with China.<sup>25</sup>

The EC-Japan bilateral relationship is a good demonstration of the third case, where ideas, codes of conducts, and values appear to have sustained a relationship where the EC has clearly been losing out on. The EC-Japan trade wars of 1976 and 1980 are justifiably centred on trade deficits with the EC suffering a deficit of ECU4316 million in 1976 and sharply rising to ECU8719 million in 1980. Despite numerous attempts to ameliorate the situation, the EC has never managed to abate the trade deficit and throughout the years, the EC trade deficit against Japan has continued to steadily rise.

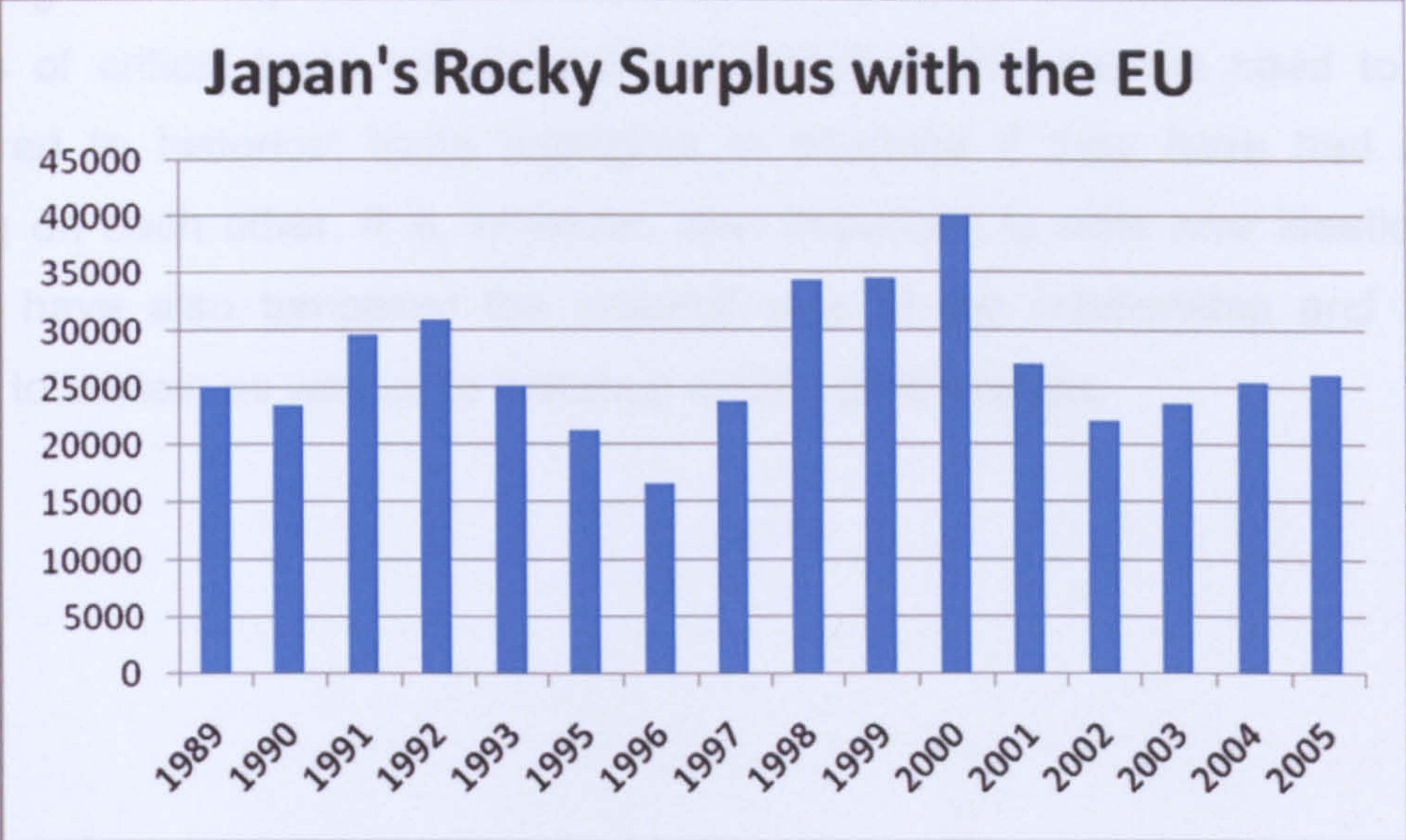
This rise, however, is not without some very interesting exceptions, most likely caused by a series of discussions and negotiations stemming from the EC and Japan's increasingly institutionalised relationship in the 90s. The EC's trade deficit against Japan faced major periods of reduction in 1990, 1993, 1995, 1996 and 2001. The sharpest drops occurred from 1995 to 1996 (from ECU21403 million to ECU16787 million) and 2000 to 2002 (from ECU46380 million to ECU 29880 million). These drops in the EC's trade deficits against Japan all occur after 1990, during the period leading up towards and after the Hague Declaration, which (as discussed in Chapter 4) was the accumulation of dialogue intensification which has developed over the past four decades of interaction between the partners.

---

<sup>25</sup> This case is interesting because it offers a scenario when two countries with similar trade volumes with the EC, particularly between 1976 and 1992, are facing different situations concerning trade balances. This allows an opportunity to analyse the European response towards two countries of similar trading statuses, with one of the variable factors being the trade balance they are facing against the particular countries.

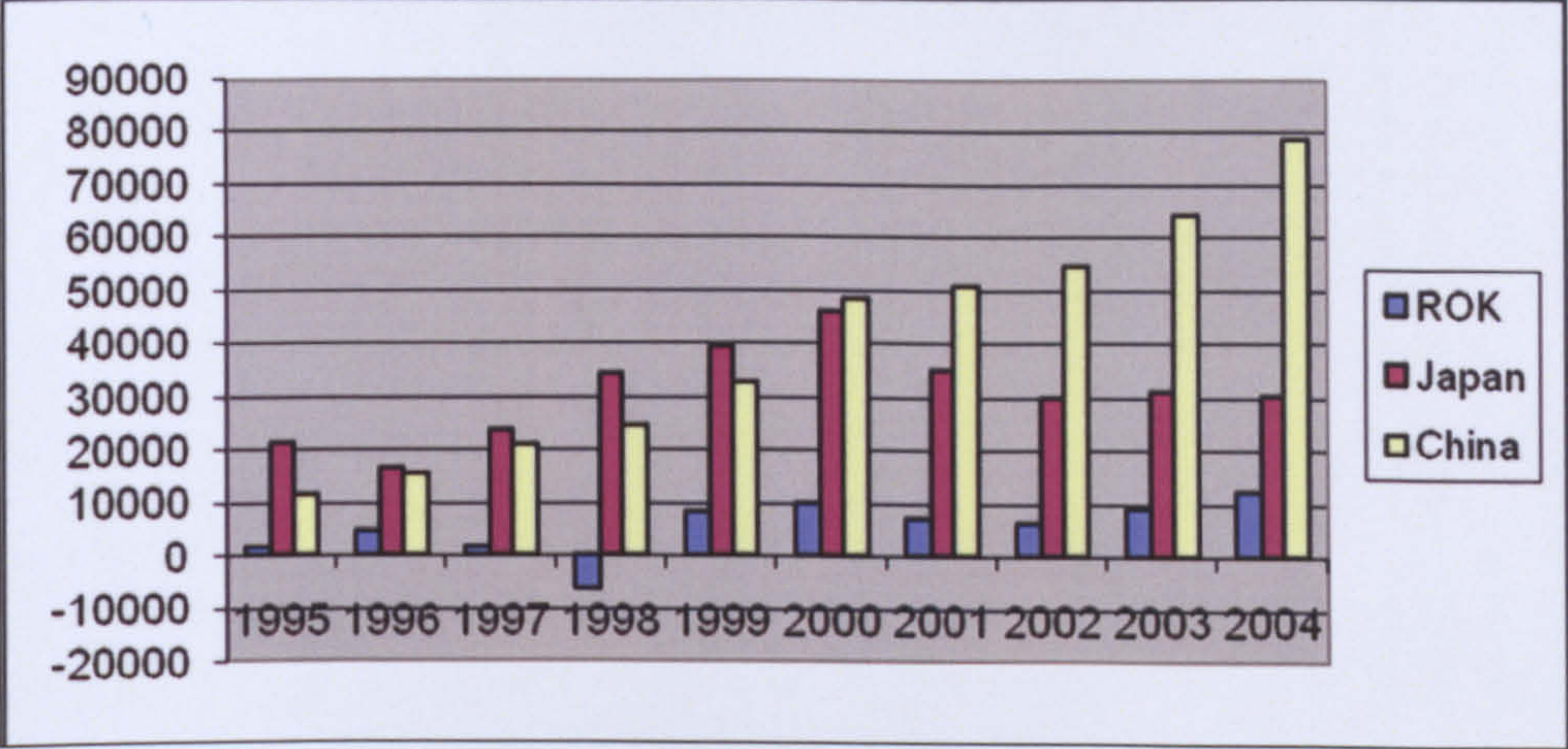


Figure 9: Japan's surplus with the EC (compiled from Eurostat)



The 1996 trade deficit was the lowest that the EC had with Japan since 1984 (ECU11643). The 1994 Regulatory Reform Dialogue (see Chapter 4) has resulted in sincere attempts on Japan's part to deregulate as well as to improve European business access (CEC 2004). A Commission initiative saw the EC gain equal access to the US with regard to Japan's market openings (Gilson 2000:101). Consequently, the EC became the major source of FDI to Japan over 2000 to 2003, while the EC remained the most important recipient for Japanese FDI (CEC 2007).

Figure 10: EC's Bilateral Trade Deficit with East Asia (compiled from Eurostat)



The study of trade deficits is crucial to this research due to it being one of the crucial material factors in the volatility of a trade relationship. General historical events point towards trends of the EC-East Asia relationship



becoming extremely sensitive in the event of trade imbalances and the periods of critical trade imbalances highlighted in this section need to be compared to historical trade highlights to examine if they have had any bearing on each other. It is, however, also important to note how ideational factors have also tempered the material side of the relationship and has helped to sustain as well as to enhance certain partnerships.



*Table 16: Key Historical Junctures and Trade*

Years	Japan	China	Korea	Aggregate Trade	Trade Surplus
1952-1955	GATT Entry	Geneva Conference		All except Japan minimal	insignificant
1963-1975	Trade Boom	- 1960s Sino-Soviet Split	- Reduction of US Grant Aid - Shift to heavy and chemical industries	All Rising	- Japan significant - ROK growing - China deficit
1976-1979	Trade Wars	- EEC extends formal recognition to China - Agreement on Trade and Cooperation - EC-China Textile Agreement	EC-Korea Textile Agreement	- Japan High - China and ROK similar status	- Japan - ROK
1980-1990	- JP largest exporter of automobiles - Plaza accord - bilat problems taken to Uruguay round	- 1985 Framework Agreement	- 1st regular Ministerial Meeting - EC-Korea Monitoring Discussions - Eu Chamber of Commerce in Seoul - Delegation of the EC in Seoul	All sharp increases	- steady rise in Japan and ROK surplus - China erratic
1989-1993	Hague Declaration	- Tiananmen Square - EC role in China's WTO bid	- temporary suspension of GSP preferences - Korea-EC Agreement on Tariffs and Taxes	- ROK and Japan stabilising - China doubles	- ROK and Japan stabilising - China triples
1994-2004	- Regulatory reform dialogue - Europe and Japan: The Next Steps - Decade of Japan-European Cooperation	Commission Communication: A long term policy - EC's continued role to help China's WTO entry - Commission Policy Paper	- EC-Korea telecom settlement in WTO - EC-Korea shipbuilding conflict - EC-Korea Framework Agreement	- China sharply rising - ROK and Japan stabilising	- China sharply rising - ROK and Japan stabilising

## *Dialogue Intensification and Institutionalisation*

Throughout the history of the EC-East Asian relationship, it is clear that there have been specific periods of intensive cooperation as well as signs of determined defection. This has resulted in a number of key highlights in the EC-East Asian relationship that include contentious and sustained periods of trade disputes interspersed with some very genuine attempts at negotiations in order to improve the trade relationship between the two partners. An analysis of these key highlights are necessary to uncover any underlying ideas, values or codes of conduct which might be the basis of either cooperation or defection in the EC-East Asian bilateral relationships. It is also important in identifying how the institutional factors just examined may have affected the bilateral relationship. By discussing the various intense periods of cooperation or defection, it is possible to see how a partner's "ideational" background might lead towards their attempts at resolving a problem. On the other hand, if the behaviour of either partner is not consistent and possibly selective according to trading conditions, one might also be able to raise the possibility that ideas, values, and codes of conduct matter less than material interests such as trade volumes and balances. As noted above, the EC institutions' capacity to cooperate and its policy coherence are also expected to have an influence on the relationship.

This section examines the role of institutions throughout different historical stages of the EC-East Asian relationship with clear events of cooperation or defection. While drawing comparisons, a number of issues need to be addressed. First, it is important to note the possible parallels between the occurrence of a trade conflict or acts of trade cooperation and the current trade balance as well as the current aggregate trade volume. This exercise directly addresses the question of how much impact the aggregate trade volume and trade balances might have on a partner's decision to cooperate. Institutional factors at each of the historical stages are also expected to explain the EC's institutional capacity to cooperate as well as to temper its member states' instinctive tendency to act on solely material factors. Secondly, the manner in



which the dispute or the cooperative process was treated as well as the trading principles that might be involved need to be examined. The EC and its institutions have long presented themselves as the champion of free trade, and if this value is to go beyond rhetoric, there should be clear signs of this in the negotiation process. This examination is also a way to verify whether material or ideational influences are more important in the bilateral relationship, and whether institutions have a role in enhancing either of these influences. Finally, any disparities in the cooperation process between the EC and its East Asian partners must be raised. At certain points in history, particularly between the ROK and China, the two countries have traded in equal volumes with the EC. One would expect EC treatment of its two East Asian partners to be consistent. If there is apparent inconsistency in the treatment, it is important to note how the differing treatment stems from ideational principles, material interest, or institutional elements.

#### The Early Stages: Material Interest Domination and Weak Institutionalisation

The lack of enthusiasm between the EC and its East Asian partners during the early stages of the relationship is in fact a critical exercise for the analysis of cooperation and defection in the relationship. This section will explore the early episodes in the EC-East Asian relationship with the first part examining Japan's GATT Entry and comparing it to the amelioration of the EC-China conference at the Geneva conference. This early stage of rather clear signs of defection by Europe towards Japan and a rather different approach towards China may give more clarity to how cooperation takes place and under which circumstances. The second part analyses the European reaction towards the Japanese trade boom from 1963 to 1975, the 1960s Sino-Soviet Split and the reduction of US grant aid towards the ROK during the same period. Once again, these landmarks in EC-East Asian partnership might provide further indications on the cooperative process. In each of these sections a consideration is given to material interest,

ideational principles, and institutional elements according to how influential they appear at each stage.

The lack of institutions appeared to allow the priority on material interests to dominate the early EC-East Asian partnerships. The European responses to Japan's 1955 GATT entry and the Chinese role in the 1954 Geneva conference were in sharp contrast, and material interest appears to explain these events. First, while the Americans had a role in both, they enthusiastically supported Japan's GATT entry while holding a markedly hostile view towards any good relationships with China. In certain aspects, this certainly had an effect on the European response towards Japan and China. With help from the Americans, Japan managed to gain entry to GATT in 1955 despite protests from the major European power, only to have Article 35<sup>26</sup> invoked against Japanese imports. This was often explained to be an act of defection due to "old fears" of Japanese products flooding the European market (Wilkinson 1980, Ishikawa 1990). This was particularly because of memories of the 1930s dumping of Japanese cotton textiles in the world market as well as the famous "watches by the kilogram" (Ishikawa 1990:14). There was, however, evidence that these fears were indeed founded in reality. Even though the Japanese did begin to liberalise upon GATT entry, it also imposed other measures such as weakening anti-trust laws and changing its import licensing scheme (Dent 1999:87). To fight against European protectionist measures as well as fears of an exclusionist trading club, some might explain how Japan successfully struck up bilateral trade relationships with individual European nations (Wilkinson 1980:169, Conte-Helm 1996: 28), while others would argue that it amounted to an ingenious tactic of divide and conquer (Dent 1999:88). Another explanation was that the Japanese preferred to deal with individual nations rather than with the EC due to "familiarity, the emotional factor, and organizational considerations" (Conte-Helm 1996: 28). At this stage, one might also note that institutional factors were important, but that the EC was

---

<sup>26</sup> GATT article allowing affected nations to impose trade restrictions against imports without compensation due to "injurious" competition



simply not ready to act coherently due to its lack of institutional capacity in dealing with the Japanese.

While the Japanese assimilation into the world economy was being firmly rejected by the Europeans, the Chinese were quickly being greeted by the Europeans into the world market despite US hostility towards the communist regime. Partly because the French and British believed that China might have a role in maintaining peace in Indochina, trade rapidly increased between China and West Europe following the Geneva conference (Shambaugh 1996:5). When the US started an embargo on China, the latter turned its interest towards West Europe as an important source of technology, capital and markets. This dependency constantly grew towards the late 1950s and in the period leading to the Sino-Soviet split in 1960 (Dent 1999:129).

It is important to note that from 1958 to 1960, aggregate trade between the EC and Japan and the EC and China stood at roughly the same volume, but the disparity in the EC's treatment of the two once again points to the influence of material interests and the lack of institutional controls. During this period, the EC experienced a small trade deficit with Japan while gaining a surplus with China. There may be a number of factors on display in this disparity of European treatment of its East Asian partners. The perception the Europeans had towards Japan was that of a neo-mercantilist predator due to its pre-war history. Japan was politically secure and firm allies with the Americans and bound only to self-defense, making it a stable political power in Asia. In other words, the European connection with the Japanese would have been purely commercial, and it was clear that few material gains could have been made in that sense.

In contrast, the Europeans may have felt that having China as an Asian political power as an ally might be useful and that its economic ties with China may lead to increased democracy and good governance. This has been a strategy the current EC has been using to a large degree of success in its influence in stabilising its neighbours, as well as in creating links with Latin America and the Asia-Pacific, which have contributed to the EC's strategic positioning as an actor (Smith 2001: 797). Another example is the manner in

which such strategies were used for the transition countries of Central and Eastern Europe where external commercial policies and prospects of membership have helped to shape internal policies (Tsoukalis 1997: 258), often leading to the adoption of EC values and ideas. In the 1960s, the Europeans continued to play a defining role in China's economic diversification strategy, and by 1965, Europe had become China's main trade partner. This was despite China being unable to offer West Europe any worthy commercial opportunities (Dent 1999:129) pointing to the notion that the region could have been attempting to politically influence China through commercial incentives. In 1975, the EC extended formal recognition to China.

From 1963 to 1975, the EC would see significant rises in aggregate trade with its East Asian partners and while China's dependency on the EC was growing, Japan's economy took off in a spectacular manner. This resulted in a seven-fold leap in total trade between the EC and Japan from ECU1040 million in 1963 to ECU7442 in 1975. The EC's trade deficit with Japan also increased dramatically from only ECU8 million in 1963 to a staggering ECU2928 million in 1975, setting a trend which would continue throughout the next decade. With institutions still weak, the EC's loss of material interest set the stages for major cases of defection in the following years.

### Advanced Stages: Institutional Deepening and Generation of Ideas

Significant material loss in the EC-Japan partnership inevitably led to strong negative European reaction towards the Japanese and led to the "trade war" period from 1976 to 1980. Two main issues need to be highlighted regarding this. First, it appears that the Japanese success was deserved due to exceptionally high production efficiency and there is a possibility that Japan might have simply been too competitive for the Europeans to handle. The Europeans, still developing their institutional capacity and losing out on material gains, found it necessary to defect from cooperation during this stage. This was despite the fact that the Japanese may not have been actively trying to take advantage of the



European's lack of readiness. During this period, Japan's overall economic growth was generated by domestic growth rather than exports and Japan's world exports were considered to be relatively small. Statistical analysis also found that Japanese exports were actually not heavily concentrated on sensitive industrial product lines such as textiles, steel, ships, cutlery and cameras which were areas the EC felt were major causes for their trade deficits (Meynell 1982:106-11).

Secondly and importantly, the EC's institutional capacity was clearly growing and becoming readier, and some ideational principles implying trust and an accepted code of conduct were being introduced into the EC-East Asian relationship. The EC's enhanced institutional capacity was also reflected in the manner by which bilateral institutionalisation of its relationships with its East Asian counterparts started to become evident. The period from 1976 onwards was one marked by sincere attempts at cooperation by the European Commission and the Japanese government. The European Commission actively tried to convince EC member states to remove bilateral safeguard clauses in exchange for Japan to have their NTBs removed, although this failed and led to confrontations between the Commission and the EC member states (Bridges 1999:22). On Japan's part, the Doko shock led the Japanese government to quickly put voluntary export restrictions into place in the problem sectors. After the 1976 and 1980 trade frictions, Japan also attempted to ease regulations governing imports and removing NTBs (Wilkinson 1993:210). Bridges also notes that it is widely accepted by outside governments that the Japanese may have been slow in deregulation, but their formal trade barriers have been steadily reduced and are in most cases below those maintained by Europe and America by the late 90s (Bridges 1999:25).

There is strong evidence of bilateral institutionalisation of the EC-Japan partnership at this stage. The establishment of the European Commission as the trading spokesperson for the entire EC in 1970 meant that it allowed the institutionalisation of the EC, and consequently, the EC's external trade partnerships. A high level consultation with the Japanese government began in 1972 after a Paris Summit and would take place every six months. In 1973, the

EC and Japan agreed to hold high level consultative talks on an annual basis (Gilson 2000:26-27). In 1974, a delegation of the European Communities was established in Tokyo. It is notable that towards the beginning of the 1980s, Japan was also beginning to make use of the EC's increased institutional capacity by having the Commission as an 'interlocutor' in trade negotiations as well as its role as an 'intermediate bureaucracy' (Drifte 1986:97). The 1st EC-Japan Ministerial meeting took place in 1984. The 1st EC-Japan Summit took place with the 1991 signing of the Hague declaration. These mechanisms, as well as head of state and ministerial visits, continued and today include 35 consultation frameworks which meet as often as twice a year and at least once a year (Dent 1999:99). This extensive framework and constant interaction has been an important feature in the EC-Japan bilateral institutionalisation process, and has contributed to an ever improving relationship between the two partners in the present day.

Although the EC's institutional capacity was growing and ability to cooperate consequentially improved (see Chapter 4), the Commission was unable to completely prevent scepticism towards Japan, particularly during the early periods. This points towards the issue of institutional complexities within the EC which may have prevented the Europeans from conducting optimal negotiations with Japan. This is strongly noted by the manner in which the Commission's positive attempts in 1970 at cooperation were undermined by France and Benelux's insistence to main their bilateral safeguard clauses against Japanese imports (Dent 1998:90, Wilkinson 1983:171). There was little which seemed to be able to change the air of mutual distrust and disinterest at the domestic level between the EC and Japan (Gilson 2000:28). In 1980, similar calls from the European Commission for reduction of the EC's quantitative restrictions in exchange for Japan's VER on key sectors were once again rejected by the European Council. The Council eventually accepted a tougher proposal which urged the cutting down of Japanese exports to the EC, revaluation of the Yen, and a policy to increase Europe imports into Japan. Predictably, the Japanese government rejected these proposals (Wilkinson 1983: 193-194).



The EC-China relationship, perhaps due to China's relatively slow growth during this period, moved in an opposite direction to Japan's and is an excellent example of how the EC's growing institutional capacity could have worked without member states' scepticism of its partners. After ongoing political problems between China and individual EC states, the individual EC states decided to empower the European Trade Commissioner in his duty to improve their economic leverage as a powerful trade force in the Chinese market. In 1973, the European Commission was given full power in conducting future trade negotiations with China, leading to a 1978 EC-China Trade Agreement, the first agreement the EC had agreed to sign with a NME. Further negotiations between the EC and China appear to have been rather fruitful, with the successful negotiation of the 1979 Textile Agreement, a process which had previously broken down between the Americans and the Chinese (Kapur 1986:62-63).

The 1978 agreement was later revised into a 1985 Framework Agreement on Trade and Economic Cooperation. It is noteworthy that in the seven years between the agreements, and with significant changes in both the trade volume and the EC enjoying an increasingly healthy surplus, China still agreed to conclude an agreement which remained basically the same. This included a safeguard clause for the EC against sudden influxes of Chinese imports, a restrictive MFN treatment clause, and a clause which protected against Chinese sales at low prices (CEC 1978, Kapur 1986:47-48). In 1985, in particular, the EC's surplus with China had risen sharply to ECU3244 million compared with only ECU442 million in the year before. A lot of credit for the EC's smooth relationship with China can be attributed to China's moves towards cooperation. China's application to the GATT in 1986 was a demonstration of its willingness to follow GATT regulations. These signs of China's readiness to cooperate actually resulted in the EC hardliners relaxing their positions in the 1988 rounds of the Multi-Fibre Arrangement (Gilson 2001:181).

Once again, there is overwhelming evidence of EC-China bilateral institutionalisation, even more so than in the case of EC-Japan. The EC's first official economic interaction with China began from 1974 when the EC proposed

the future conduct of all trade negotiations with the European Commission. China accepted this, on the condition that future negotiations would not include the issue of Taiwan. The 1978 Trade Agreement led to the creation of an EC-China Joint Committee. In 1979, the first EC-China Joint Committee met in Beijing. In 1984, the first ministerial consultation took place between China and the EC in the framework of political cooperation. In 1988 a delegation of the European Commission opened in Beijing. In 1994 a new bilateral political dialogue was opened between the EC and China. In 1998 relations were taken to a new level through the establishment of the annual EC-China summit, the first of which would take place in London. In 2000, a particularly important bilateral negotiation took place between the EC and China on China's accession to the WTO. In the same year, the first EC-China High-Level consultation on fighting illegal migration and trafficking in Human Beings took place in Brussels. In 2004, EC Commissioner for Enterprise and Information Society Erkki Liikanen went on to launch the EC-China Programme to support China's integration to the world trading system. These critical developments were interspersed with reciprocal EC-China high level visits between heads of states, ministers, and European Commissioners.

Dent comments that the process of formalising economic diplomacy between the EC and the ROK was one of the most delayed among the East Asian group, with only the exception of Taiwan. It has been argued that while EC level economic diplomacy with Japan, China, and even ASEAN went back as far as the 1960s and 1970s, formal EC-ROK economic relations did not materialise until the late 1980s (Dent 1999:200). This comment appears to not have taken into consideration the fact that The ROK was actually one of the first East Asian nations to sign a trade agreement with the EC, in the 1977 EC-the ROK Textile Agreement. As early as 1963, there was an establishment of diplomatic relations between the EC and the ROK as well as an accreditation of ROK Ambassador to the Community in Brussels. In addition, continued growth between the EC and ROK led to the establishment of their first regular Ministerial in 1983, even before the first EC-China and EC-Japan ministerial meeting. In 1986, the first regular



annual meeting between senior officials of the EC and the ROK were established, and would later be called the EC-Korea High Level Consultations. An EC Chamber of Commerce was established in Seoul in the same year. This was followed by the 1989 establishment of the delegation of the European Commission in Seoul. The 2001 Framework Agreement also set up an inaugural joint committee between the EC and the ROK. In between these years, there have been some reciprocal high level visits although the frequency has not been as high as the EC reciprocal high level visits with China and Japan. In the case of the EC-ROK partnership, formal institutionalisation may have actually formed earlier, although this did not mean an enhancement in cooperation<sup>27</sup>.

It is extremely important to remember that bilateral institutionalisation, without the critical incentives of material interest or ideational elements, does not guarantee cooperation. The EC-ROK partnership exemplifies this argument, which was made in Chapter 3. Apart from enhancing cooperation, the EC's growing institutional capacity meant that the EC could choose to defect when they felt that the relationship was failing on both the material and ideational fronts. The EC also signed a textile agreement with the ROK in 1977 although diplomatic interaction between the two partners remained limited until increased contact began to take place from 1980 onwards (Dent 1999:196). This coincided with a sharp leap in the ROK's trade surplus with the EC, doubling to ECU1067 in 1980. The ROK had a patchy relationship with the EC between 1980 and 1987, and this included disputes concerning IPR protection, telecommunications procurement, and taxes on alcoholic beverages, which were often taken to the WTO or at least threatened with taking to the WTO (Dent 1999:198). In contrast to the Japanese, ROK government and industries did not appear to take an initiative in resolving the trade disputes. While both the Japanese and Koreans and their relative industries felt that it was the European's industries' poor productivity which was to blame, this section has shown evidence of Japan's sincere attempt to cooperate. In contrast, the ROK state has been said to consider dumping a legitimate competitive strategy and that the Commission's

---

<sup>27</sup> The Conclusions to this thesis also discusses this puzzle in greater detail.

process of applying ADDs were an unfair attempt to politicise the natural mechanism of a free market (Dent 1999:199). This is an indication of how the ROK failed to cooperate with the EC on both the material and ideational sides.

This Japan-ROK contrast in East Asian cooperation versus defection was more evident as the 80s progressed and the establishment of the Single European Market (SEM), which increased the EC's institutional capacity even further. The 1985 Plaza accord meant that the yen was finally re-valued and there was evidence of Japan making more convincing and proactive efforts to open up its markets (Bridges 1999:25). The effects were almost immediate, with the trade balance stabilising from 1986 to 1990. Abe notes that Japan's realisation of the impact of the SEM programme helped to improve its attitude towards the EC. The SEM would make the EC the biggest single market, including the automobile sector and increase European competitiveness in the international economy (Abe 1999:3). In addition, the SEM marked the end to any possibility of success for the Japanese "divide and conquer" economic diplomacy. According to Dent, "the gradual implementation of the SEM programme from the late 1980s onwards not only necessitated third countries and their companies to think more in terms of "one Europe", but also improve the relational structural power of the EC in international economic affairs (1998:95). Fear of a more integrated protectionist Europe saw Japanese exports stabilise in exchange with a sharp rise in Japanese FDI in Europe (Dent 1998:93, Abe 1999:3).

The SEM was a key institutional development which further enhanced Japan's readiness to cooperate. It further stimulated a habit of interaction which intensified cooperation between Japan and the EC and eventually led up to the 1991 Hague Declaration, a landmark in EC-Japan relations and the product of numerous contacts between the 1950s and 1970s as well as patterns of bilateral behaviour during the 1980s (Bridges 1999:44, Gilson 2000:38). It was also clearly a declaration which marked the end of the Cold War and was intended to set out the strategy for cooperation between the EC and Japan in a new global political environment. The Declaration set out new mechanisms for the dialogue,



elevated the EC-Japan status as legitimate political dialogue partners, and improved their habits of interaction (Gilson 2000:95, Bridges 1999:43). A year later, the European Council of Ministers concluded that there had been a "qualitative leap in political dialogue as a result of the 1991 declaration. This was described by Bridges as "exaggerated", but showed how a political dialogue was unprecedented during this time frame (1999:43).

Institutional factors, while deepening cooperation between the EC and Japan, had the exact opposite effect on the EC-ROK relationship and the EC's increased institutional capacity meant that they could defect further in what was increasingly becoming a deadlocked relationship. While the EC's history of deepening integration was grounds for increased cooperation between the EC and Japan, it only led to a more united European front against the Koreans. In 1987, the Commission took Japan to a GATT panel dispute over liquor tax and tariff, and only five years later did the EC manage to secure an initial agreement from the ROK. This led to the 1993 The ROK-EC Agreement on Tariff and Taxes, although disputes in similar areas continued. In 1990, 29.5 percent of the total value of the ROK's exports to EC markets was subject to ADDs (anti-dumping duties). EC frustrations over IPE, the telecommunications procurement, and liquor trade issues led the EC to suspend the ROK's GSP privileges all together between 1989 and 1992. It was only after such measures that the EC's trade deficit had reduced to ECU183 million in 1993 from an all time high of ECU2848 million in 1988. As soon as the GSP privileges were reinstated, the trade balance resumed its normal pattern in favour of the ROK. In June of 1996, the EC once again had to take the IPE and telecommunications procurement with the ROK to the WTO. An agreement was eventually reached in November (Dent 1999:198).

This section clearly shows that ever since European Commission had taken on the role of the trade spokesperson for the EC, it has actively played the role and established numerous and consistent patterns of contact with the discussed East Asian partners. Clearly, the actual number of contacts has been greater with Japan due to the overall volume in the history of EC-Japan relations. With the increased amount of trade and the unprecedented trade deficit the EC is

suffering with China, one could easily expect the dialogue to increase particularly in the near future. One evidence of this is the sectoral dialogues between China and Europe, or areas of exchange on sectoral policies and technical issues, which cover a wide range of areas, many of which concern trade such as competition policy, customs cooperation, regulatory and industrial policy, trade policy, textile trade, and macro-economic and financial sector reforms.

Another issue to take note of is that the EC has established high level summits and ministerial meetings with all three East Asian partners discussed in this research. Not only have the very same high levels of regular contact been established in all three East Asian partners, but the framework for regular contact was actually created at virtually the same time. The Ministerial meetings, for example, were all established between 1983 and 1984. It is important to see how a consistent pattern of interaction established by the EC has actually received different reactions from the EC's East Asian trade partners. Throughout the trade history between the EC and East Asia previously discussed, there have been varying degrees of cooperation by the East Asians, with Japan appearing to be more conducive to cooperation in problem resolution than The ROK at several stages of the relationship. It appears that greater institutional density may not necessarily lead to increased cooperation. The actual factor which might lead to increased cooperation might possibly be the maturity of the relationship, an issue which will be explored in further detail in the following section.

## *Ideas*

Research on the EC-East Asian trade relationship is far from straightforward, particularly because of its rather subtle nature. While the historical trade highlights may offer a means of understanding certain conflicts and problems, this is deceptive since highlights focus largely on disputes and genuine attempts at and trends in cooperation are rather conspicuous. This section attempts to explore the EC's discourse with its East Asian counterparts in order to see how the relationship has evolved over time. This is conducted through an analysis of



the EC-East Asian discourse by means of examination of each key strategic document the European Commission has dispensed throughout the years. The key strategic documents, including communications, declarations, and trade framework agreements serve as a good summary of the EC's historical interaction with a particular partner as well as where the EC feels the relationship stands. The key strategic documents are also expected to encapsulate several of the key economic and political dialogue between the EC and its trading partner, making it an excellent source of information on how cooperation might have taken place in a relationship.

### EC Strategic Documents

The only firm conclusion that patterns of contact and bilateral institutionalisation may offer is that the partners have been talking to each other and that there have been attempts at cooperation at the bilateral level. The previous section has explained how the EC has been continually consistent in the treatment of its East Asian partners, at least as much as it concerns the regular formal and institutionalised contacts. These institutionalised contacts have almost always reflected in EC strategic documents in the form of framework agreements, communications, action plans, and conclusions. An examination of these documents is necessary for a thorough examination of the type and level of cooperation EC policy-makers have assumed at different phases of these relationships. These strategic documents are also expected to reveal either material interests or ideational principles which might have had a role in improving the cooperation process or led to the start of defection in the bilateral relationship between the EC and East Asia.

This section follows in the same style of analysis as the previous sections by analysing the balance between material, ideational, and institutional influences in the EC-East Asian partnerships. One would expect that rhetoric would embody a larger number of statements of ideational principles than anything else and this is an important factor to consider during the following

analysis. This section argues that other influences, such as material interest and institutional elements are actually more obvious than ideational principles in these strategic documents written by the EC. This is very strong evidence that in the EC-East Asia bilateral relationship, material interests framed by institutional elements are actually more important than ideational principles.

Similar to the consistency of the patterns of interaction established by the EC with East Asia, the EC strategic documents have been equally consistent. It appears that in almost every single year that the EC had signed an agreement with one East Asian partner, it also managed to conclude another agreement with the other East Asian partners. One notable exception is between 1976 and 1991 when a formal institutionalised strategic document was not formed between the EC and Japan. This comes as little surprise as the two partners were engaged in a series of trade wars between 1970 and the early 1980s, and numerous attempts to ameliorate the situation by the European Commission were met with heavy resistance by the individual member states. This was not helped by the Japanese government's refusal to concede to any of the Commission's proposals which did not include reciprocal removal of protectionist measures.

**Table 17: EC/EU Strategic Documents**

1977 EC-The ROK agreement on textiles
1978 EC-China Agreement on Trade and Economic Cooperation
1985 EC-China Agreement on Trade and Economic Cooperation
1991 Political Declaration on relations between the European Community and its Member States and Japan (Hague Declaration)
1995 Communication "A Long Term Policy for China Europe Relations"
1995 Communication from the European Commission to the European Council 'Europe and Japan: The Next Steps'
1996 EC-The ROK Trade and Cooperation Agreement
1998 Communication "Building a Comprehensive Partnership with China"
1998 Communication on EC relations with the Republic of The ROK
1999 EC Council of Ministers adopts Conclusions on The ROK Peninsula
2000 Report on the Implementation of the (1998) Communication "Building a Comprehensive Partnership with China" of September 2000
2001 Framework Agreement on Trade and Cooperation with the Republic of The ROK entered into force on 1st April 2001
2001 Communication "EC Strategy towards China: Implementation of the 1998 Communication and Future Steps for a more Effective EC Policy"
2001 'Shaping Our Common Future: an Action Plan for EC-Japan Cooperation'
2003 "A maturing partnership: shared interests and challenges in EC-China relations" endorsed by the European Council



The 1985 EC-China Agreement on Trade and Economic Cooperation requires specific examination for a number of reasons. First, it was written while the EC had a considerable trade surplus with China, in sharp contrast to the trade deficits it was facing with Japan and The ROK. In 1985 the EC's surplus with China had risen to ECU3244 million compared to only ECU442 million in the 1984. Secondly, it was clearly designed to favour the EC, but more importantly, the Chinese agreed to terms which probably would have been unacceptable to the Japanese (see Chapter 4).

Article 6.2 of the EC-China 1985 agreement provided a provision which allowed "in any exceptional case, however, where the situation does not admit any delay, either Contracting Party may take measures" which was a safeguard clause against possible dumping of Chinese exports to the EC. It did state, however, that the parties "must endeavour as far as possible to hold friendly consultations before doing so" (CEC 1985). Article 5, while requiring "favourable consideration to imports from the EEC", also stated that the EC would only "strive for an increasing liberalisation of imports from the People's Republic of China" and that it would "endeavour progressively to introduce measures extending the list of products for which imports from China have been liberalized and to increase the amount of quotas" (CEC 1985). This was yet again another restrictive MFN treatment clause. Finally, Article 8 was designed to protect against Chinese dumping of the EC market with low prices, indicating that "trade in goods and provision of services between the two Contracting Parties shall be effected at market-related prices and rates".

The 1991 Joint Declaration on Relations between The European Community and its Member States and Japan was a different exercise and rather than initiating action, it was rather to ratify and formalise past interaction (Gilson 2001, Dent 1999). It formally institutionalised the regular consultation mechanisms including annual summits, an annual ministerial level meeting, and six month consultations between the Foreign Ministers of the Community and the EC external relations troika with the Japanese Foreign Ministry. This is a

reflection of how strongly institutional elements have held together the EC-Japan partnership.

Article 3 on the objectives of dialogue and cooperation of this EC-Japan 1991 Joint Declaration highlighted several issues which have been obstacles to full cooperation between the EC and Japan, and are surprisingly strongly material in nature. The article reads like a statement of ways to cooperate, making use of mutual material interest incentives, and includes, for example, "rejecting protectionism and recourse to unilateral measures". Constructive measures included an agreement to make "equitable access to their respective markets and removing obstacles whether structural or other, impeding the expansion of trade and investment, on the basis of comparable opportunities". It also included "strengthening their dialogue and co-operation on various aspects of multifaceted relations between both Parties in such areas as trade, investment, industrial co-operation, advanced technology, energy, employment, social affairs and competition rules" (CEC 1991). In significant contrast to the 1985 EC-China Agreement, few specifics were mentioned.

Apart from provisions on the issue of trade and economic exchange, it must be noted that the other half of the Hague Declaration appeared to encourage Japan to take a greater role in world affairs. This included suggestions of possible cooperation in taking "common diplomatic action" and "promoting negotiated solutions to international or regional tensions and the strengthening of the United Nations and other international organisations". This extended to international security matters such as "non-proliferation of nuclear, chemical and biological weapons, the non-proliferation of missile technology and the international transfer of conventional weapons" (CEC 1991).

The 1995 Communication "A Long Term Policy for China Europe Relations" is a fascinating document, once again highlighted by the EC's material interest concerns, which makes some very frank comments on the status of EC-China relations as well as recommendations to sustain the EC's enthusiastic backing of Chinese entry to the WTO (CEC 1995a). To begin with, it suggests that the Chinese economy is widely accepted by "most observers, including the



IMF and the World Bank" that on the basis of purchasing power parities, the Chinese economy is similar in size to Japan and second only to the USA (CEC 1995a). It also comments on how the EC-China trade has increased by over fourteen times and that the surplus in the 1980s has been turned into a bilateral trade deficit. No direct mention was made of China's protectionist measures, but the Communication instead focuses on how EC direct investment in China was very low compared to Hong Kong, US, and Japan (CEC 1995a).

There were numerous references to "helping" China's liberalisation of the economy even though one section went as far as to assert that China had "made enormous strides to liberalise its trade regime over the last years" (Article C2 CEC 1995a). This would immediately extend to aiding China's entry into the WTO, with the paper indicating that "both China and its trading partners must now show additional political commitment to progress is a deal is to be reached" and that "full integration of China into the WTO system is in the interest of all parties concerned". This, the document continues would "guarantee the continuation of China's reform process until a mature market economy is established". The Communication also makes mention of "a sustained trade dialogue which has also enabled Europe to avoid any risk of discrimination and to ensure that EC economic operators enjoy the same treatment as their competitors in China (Article C4 CEC1995a). While reflections of Europe's 'ideas' of global free trade are seen here, it is also clear how the EC has laid down the material interest preconditions which need to be satisfied in order to obtain real cooperation.

The sensitive subject of human rights was also mentioned in this document although the proposals to improve human rights in China were at best modest, perhaps placing ideational concerns second to the prevailing material interests. The communication recommended that the EC's goal should be to provide support of the public management system in China based on civil society and the rule of law as well as to develop a programme of effective and coordinated cooperation in the legal and judicial fields. The document, however,

admits that concrete action by the EC to encourage cooperation with individuals in the legal and judicial systems have been small-scale (B2, B4 CEC 1995a).

The 1998 European Commission Communication on Building a Comprehensive Partnership with China built on the 1995 communication and continued to highlight the progress China had made from being a centrally-planned economy towards becoming a market-driven economy. It is extremely important to note that this communication was written during a period when the EC's trade deficits against China had ballooned to unprecedented levels and was showing continued signs that it was growing (see Chapter 4, section on trade deficits). The issue of human rights appears to have been given more priority, with the document boldly stating that China was "still far from meeting internationally accepted standards on human rights" while emphasising that "a commitment to universally recognised human rights and fundamental freedoms lies at the heart of the EC's policy world-wide" (Article B CEC 1998). A more specific set of proposals was made on improving the human rights situation in China, including urging China to comply with UN covenants and ILO conventions, reinforcement of bilateral human rights dialogue, concrete cooperation programmes, promoting the rule of law, and strengthening China civil society (Article B2 CEC 1998). This raises questions on whether the EC is actively attempting to compensate for its losses in material interest, incurred through its trade deficits, with a gain in ideational principles, achieved through these ideas-centred articles.

The proposed initiatives in the 1998 Commission Communication on China document were also far bolder than the 1995 document, and are an important indicator of how concerned the EC was with the material side of the trading relationship. This included an elaborate set of proposals on liberalising China's trade regime in order for it to comply with WTO rules, encouragement of further bilateral trade talks, adoption of the Commission's proposed new anti-dumping regulation towards China and Russia, pursuit of a gradual and reciprocal removal of EC and Chinese quantitative restrictions, and liberalisation of China's financial services. The key WTO principles emphasised were those of



transparency, national treatment, and non-discrimination. China was also urged to open its markets for industrial and agricultural goods by "cutting tariffs significantly" as well as to "rapid remove the current monopolies on foreign trade" in China, open up China's services market and financial sector, and establish a liberalised procurement regime (Article C CEC 1998).

Interestingly, the first EC-ROK Trade and Cooperation Agreement was borne from conflict rather than cooperation, and was clearly based on a conflict in material interest. Bilateral negotiations over IPE and telecommunication procurements beginning from the early 1980s dragged on until 1996 and were eventually taken to the WTO. An agreement was finally secured by the EC in November 1996, and resulted in the Joint Declaration and Framework Agreement which resolved the dispute. Apart from resolving this long-standing dispute, the Agreement also encouraged further two way trade and investment and encouraged cooperation initiatives in the areas of justice and home affairs, science, technology and culture. The Agreement also had a political declaration attached to it which aimed at intensifying political dialogue between the two sides as well as setting up a Joint Committee, frequent Summit meetings, and a Ministerial Troika (CEC 2001). The 1997 Agreement on telecommunications procurement was eventually cancelled by both parties since they agreed that with the opening of the procurement procedure by telecommunications operators, the agreement had become obsolete (CEC 1998).

Amid the EC-ROK shipbuilding problems, the Framework Agreement on Trade and Cooperation was established on the 1st of April 2001 and continues to be in force today. The agreement strongly emphasises the important of free and fair trade, especially taking note of the shipbuilding industry in Article 8 where both parties agreed not to "take any action to support their shipbuilding industry which would distort competition or allow their shipbuilding industry to escape from any future difficult situation". Article 8 also provides for "consultations on the implementation of the OECD Agreement on Shipbuilding, exchange of information on the development of the world market for ships and shipbuilding and on any other problem arising in this sector" (Official Journal of the European

Communities 3/2001). The Agreement also took note of the area of Agriculture and Fisheries, another sensitive area for both parties, and agreed to encourage cooperation in the mentioned areas. The issue of ship-building has continued to be a sensitive issue and with the EC taking The ROK to the WTO on this issue, it is clear that the EC considers that Article 8 has been breached.

While the issue of ship-building has become the centre of attention today, the 2001 EC-ROK framework agreement makes mention of several outstanding problems which appear not to have been resolved yet. The article on trade cooperation continues to urge improvement of marketing access for industrial, agricultural and fisheries products as well as financial services and telecommunications services. Article 7 on maritime transport also requires commitment to moving towards unrestricted access to the international maritime market and traffic based on fair competition on a commercial basis. (Official Journal of the European Communities 3/2001). Article 23 also allows "appropriate measures" to be taken in the case of non-execution of the agreement, although a provision for consultation is also given (Official Journal of the European Communities 3/2001).

Despite the evidence of material interest concerns in most of the strategic documents presented in this section, there is some indication that ideas might become more important with an increased maturity in the relationship. In 2001, the dialogue between the EC and Japan stepped up another level from the Hague Declaration a decade ago when the 10th EC-Japan Summit adopted the 2001 "Shaping our Common Future: an Action Plan for EC-Japan Cooperation" (CEC 2001d). Its four basic objectives were clearly based on ideational principles and included the promotion of peace and security, strengthening of the economic and trade partnership, coping with global and societal challenges and bringing people and culture together. Most notable is how the action plan, designed to be a bilateral document, actually made an emphasis on how the two could play a mutually significant global role in both politics and economics. The document notes how closer cooperation is a "true necessity" and that "as global partners, accounting for major share of world GDP, and the world's largest donors of



development assistance" the two partners "have a special responsibility to the global community" (CEC 2001d:2). The political part of the action plan covered cooperation on most global issues and possible hotspots, including the Korean peninsula, the Balkan, Russia's stability, China, the Middle East Peace Process, African conflicts, East Timor and Cyprus.

The Economic and Trade Partnership objectives in the EC-Japan 2001 dialogue were also rather focused on mutual support for the multilateral trading system, again stressing the ideational principles in commercial issues. This included an acknowledgement that the partners had already cooperated closely to strengthen the multilateral trading system and a commitment to continue efforts to further liberalise trade through WTO rule, mutually overcome any challenges which emerge during the 21st century, support of sustainable development, and integrate developing countries in the world economy. Bilateral issues which emerged centred on reinforcement of the regulatory reform dialogue by "making better use of consultations" with an aim to encourage self-sustained growth by removing obstacles and barriers to trade and investment. Standards and conformity assessment and the telecommunications, environment, energy supply, commercial transport services and construction sectors were also highlighted for further cooperation to develop a consistent regulatory approach in the future (CEC 2001d: 10).

If the thesis that increased focus on ideational principles comes along with greater maturity is valid, perhaps the EC-China partnership has also become more infused with ideas. The 2001 Commission Communication on EC Strategy towards China acknowledged China's growing global economic and political significance as well as its increased partnership with the EC. It notably had some very strong words concerning human rights, indicating that while dialogue has been satisfactorily open, "the European Union remains seriously concerned about the human rights situation in China". It also stated that "while the EC-China human rights dialogue is the European Union's preferred channel for working to improve the situation in the various areas of concern it is clear that dialogue is an acceptable option only if progress is achieved on the ground" (Article 5.2 CEC

2001a). The action points are clearly aimed towards making the human rights dialogue more "effective and results-oriented" as well as carry on the original objectives of improving China's law and legal reform as well as its civil society.

Despite these ideational principles, the 2001 Commission Communication on China inevitably mentioned the material side centering on the ECU44.4 billion EC deficit with China which was at record levels, increasing from 2000 by almost 50%. While the EC in 2000 had become the largest foreign direct investor in China, excluding Hong Kong, the Communication explained that the EC's share of FDI in China remained relatively low compared to its share in other emerging markets. The document stresses that in order to overcome this deficit, China's integration in the world economy and the implied opening and reforming of China's markets was a necessity. To this end, some of the EC's action points remain firmly committed to finalising China's WTO accession "as rapidly as possible", having the EC be ready to "make an additional effort to help China to adhere to its WTO commitments" and to "seek close cooperation for the development and liberalisation of world trade" (Article 5.3 CEC 2001a).

The EC strategic documents highlighted in this section provide an insightful perspective on the manner in which the EC-East Asian relationships have been shaped and developed. The first issue which needs to be reemphasised is the overwhelming evidence that material interest is the EC's primary concern. This is reflected over and over again in the strategic documents and is often exacerbated during periods when the EC's trade deficit against its East Asian counterparts appears to be growing. The second issue requiring emphasis is how some strategic documents clearly reveal tensions between the simultaneous pursuit of material interest and ideational principles, goals which are often incompatible with each other despite the rhetoric suggesting otherwise. It is clear, for example, that the ROK's refusal to address the material interests embedded in the EC's strategic documents may have led to defection on the EC's part. The third issue requiring some further expanding is the manner in which the maturity of the relationship may have a bearing on an increase in ideational principles in the relationship. As the partnership progresses, such as



seen in the EC-Japan bilateral tie, both partners appear to be more receptive to ideational principles. This may mean that in the cases of the ROK and China, more time and interaction is required before the same receptiveness to ideas can be witnessed.

### *EC-East Asian Bilateral Interregionalism: Material Interests Framed by Institutions*

This chapter has attempted to provide some empirical understanding of cooperation and interregionalism through two interlinked methods. It first identified the trends and trajectories in the EC's bilateral interaction with East Asia by providing some highlights to its interaction. Secondly, it identified the role of material interest, ideational principles and institutional elements from the key elements of the EC-East Asian relationship which include trade data, institutionalisation and dialogue intensification, and rhetorical elements extractable from the various strategic documents. These key elements have been analysed as objectively as possible and there are some recurring themes which appear to describe the EC-East Asian bilateral relationship very explicitly. As noted in the introduction to this Chapter, the combined analysis provided by the horizontal and vertical dimensions provide a more comprehensive means of observing interregional cooperation between the EC and East Asia than current literature on EC-East Asian relations can offer. As a result, a number of further insights can be derived from the investigation carried out in this Chapter.

The first insight concerning bilateral interregionalism notes how states have indeed led the interaction between the EC and the individual East Asian states. While the Commission may have been granted full competency by the member states in issues of trade, the historical section has noted the influence the member states have had on the Commission. On the side of the East Asian states, the historical section has indicated how a centrally managed economy has meant that the trade partnership has been exclusively the domain of the state.

The second insight is that material interests, reflected in the trading data and the consequences of the trading data, have guided and shaped the EC-East Asian bilateral relationship. This has not only been reflected in the trade data, but also in the strategic documents as well. In fact, material interest concerns appear to be the guiding factor on whether bilateral institutionalisation and dialogue intensification even takes place. This might be one of the explanations as to how either indifference or defection has governed the EC's attitude towards the ROK, which has little material value to the EC, as opposed to the Chinese or the Japanese. There is also evidence that ideas actually have a rather secondary role to material interests in the bilateral trade relationship between the EC and East Asia. This is perhaps unsurprising in a relationship dominated by commercial incentives, but one would have at least expected the EC to pursue, to some extent, the rhetoric in the strategic documents. Instead, the strategic documents reveal some very uncomfortable contradictions between material interest and ideational principles, and appear to indicate that the importance the EC places on ideational principles might actually be related to how little or much of the material interests are being fulfilled.

The third insight into bilateral interregionalism reached through the analysis of the EC-East Asian bilateral partnership is that bilateral institutionalisation matters. It matters because firstly, the EC's capacity to cooperate appears to depend on this bilateral institutionalisation. This has, in turn, resulted in the intensification of dialogue between the EC and its East Asian partners which has been extremely important in sustaining the respective relationships. Throughout the history of the relationship, there is solid evidence that as soon as the EC's institutional capacity increased, it resulted in the creation of a process of intensified dialogue and bilateral institutionalisation with its East Asian partners. This process of bilateral institutionalisation has in turn, tempered and regulated the pursuit of material interest within the relationship. It has also meant that in cases when the EC loses its material interests in the partnership, developments towards intensified dialogue and bilateral institutionalisation can hold the relationship together.



Finally, the bilateral interregional agenda, at least as seen in the empirical evidence in this Chapter, has produced some evidence on the management of anarchy even when the emphasis has been on material interest rather than ideas. The EC assistance in bringing China into the WTO could be perceived as an attempt to manage anarchy and shape global governance, not unlike the EC's encouragement for Japan to play a more active global role. This Chapter has not produced conclusive evidence on whether the nature of the EC-East Asian partnership is an issue of hierarchy. The lack of hierarchy may be because of the economic significance of the East Asian states, particularly Japan and China. There is an argument to be made that the ROK's relationship partnership with the EC indicates some degree of hierarchy, but taken collectively, the East Asians are a significant economic force. This indicates how interregionalism in the context of EC-East Asian bilateral partnership entails at least an attempt to manage anarchy, if not hierarchy.

An inconclusive issue which needs to be explored in further detail both in the following Chapter as well as the Conclusions is the issue of how PTA efforts and global liberalization efforts have coexisted. Regarding the issue of whether bilateral interregional efforts have overshadowed multilateral efforts, there has been evidence to support both sides of the argument. In the case of the ROK, conflict resolution has continually been made at the GATT/WTO level. The EC's assistance in helping China with its WTO membership as well as its insistence in bringing Japan further into the global development community also suggest attempts towards multilateralism. Yet, this Chapter clearly shows how the EC has continued to promote individual PTAs with a clear emphasis on material interests.

**Table 18: Insights Provided by EC-East Asian Bilateral Relationship**

	Cooperation Questions posed by IPE and Interregionalism	EC-East Asia Bilateral Relationship
<b>Nature of Actor</b>	State-led or led by non-state actors?	Mainly state led. EC Commission heavily influenced by member state preferences
<b>Nature of the Global Political Economy</b>	Small countries linking up to large countries (hierarchy), emphasis on shaping global governance (managing anarchy?)	Evidence of management of anarchy, but little evidence of hierarchy except for the case of the ROK
<b>Nature of Actors' Interaction within the GPE</b>	Trade liberalisation and how to make regionalism and global liberalisation institutions coexist. Gains between two partners or absolute global gains?	Needs to be investigated further in conjunction with a multilateral empirical observation. Evidence points to coexistence of PTAs and global liberalization efforts
<b>Ideas versus Structures</b>	Material interest (as reflected in trade issues) or ideas?	Strongly based on material interest

The horizontal and vertical dimensions offered in this Chapter have served to enhance our understanding of cooperation and interregionalism to a large extent. In other words, the combined approach of extracting the material interests, institutional influences, and ideas involved in the EC-East Asian bilateral partnership has helped us to further understand the balance the EC has chosen to take in its partnership with East Asia. As these conclusions note, the balance is overwhelmingly in favour of an interregional partnership based primarily on material interests, with institutions and ideas taking on secondary supporting roles. Despite the importance of bilateralism, the insights offered in this Chapter only tell half the story on interregional cooperation. The next Chapter continues with a similar analysis for the multilateral EC-East Asian partnership as witnessed in ASEM.



## **Chapter 6**

### **The Evolution of Multilateral Cooperation in EC-East Asia Relations**

The history of EC-East Asia interregional multilateralism as observed in the Asia-Europe Meeting (ASEM) provides a view of the cooperation process and ongoing dynamics which are no less significant than the history of EC-East Asian interregional bilateralism. Similar to the bilateral chapters of this research, the multilateral history of the EC and East Asia is expected to yield periods of highs and lows in the cooperation process. It also expected that the multilateral interregional partnership will possess a balancing act between material interest, institutional considerations, and the pursuit ideas. This Chapter is designed to explore these issues in order to provide further answers and insights into propositions provided by IPE theories on cooperation as well as the questions on cooperation posed by interregionalism.

A clarification needs to be made at this stage on the argument that ASEM's interregionalism may not be considered to be truly multilateral in nature due to the fact that it could be perceived as technically only a region to region contact. This thesis takes on another widely accepted view and argues that the "quality" of the relationship between the EC and East Asia as observed in ASEM is, for all sense and purposes, a multilateral one. Ruggie explains that multilateralism represents a 'highly demanding institutional form' (1993:12) and is distinguished by the manner in which it 'coordinates behaviour among three or more states on the basis of generalised principles of conduct' (1993:14).

To this end, ASEM scholars have also referred to the interregional grouping as being in the position to undermine global multilateral institutions and in the position of possessing "multilateral utility" functions (Hwee 2003, Dent 2004, Rüland 2006). In other words, ASEM would contain the capacity to act as a multilateral forum on its own, not unlike the United Nations or the WTO, although its membership is exclusive to the EC and ASEAN+3. ASEM has been similarly

regarded as a "rationaliser of multilateral fora" and to "inculcate cooperative principles and norms" which are important qualities found in multilateralism (Rüland 1996: 72-73). The foundations the EC strategic documents have laid out for ASEM are also overwhelmingly multilateral in quality in the sense that the strategies strongly affirm the use of multilateral mechanism to achieve principles such as free trade, global governance, and consensus building (CEC 1994, 1996). This preliminary assessment indicates that ASEM as a multilateral forum for the EC and East Asia contains within itself structures, norms, and institutions.

ASEM is hence defined in this thesis as a form of multilateral interregionalism. This Chapter continues to ask the same questions and advances the same key propositions that were introduced in chapters 2 and 3. In addition to the examination of material interests, institutions and ideas, the questions emanating from literature on interregionalism have been adjusted slightly to fit in with the multilateral theme. As a reminder, the key themes being explored include the nature of the actor, the nature of the global political economy, the nature of actors' interaction within the global political economy, and the importance of ideas against structures. The question of the nature of the actor and whether it is state-led becomes a debate on whether the ASEM process is led by states or if the process has become so sufficiently institutionalised that ASEM can be identified as an institutional actor in its own right. A question which needs to be answered concerning the EC-East Asian partners' interaction within ASEM is whether ASEM adds up to an institution which manages anarchy, or whether it accentuates the common theme of hierarchy. In ASEM's multilateral interregionalism process, a key question asked is whether it undermines global liberalisation processes such as that of the WTO's or whether it actually promotes the growth of further interregional FTAs. These questions on interregionalism as well as the proposition on the importance of material interest, institutions and ideas in shaping cooperation are studied under a multilateral setting in this Chapter.

Although this Chapter takes on the same methodological rationale as Chapter 5's analysis of interregional bilateralism, the nature of ASEM requires a



slightly different approach in the observation of its vertical and horizontal dimensions. Current scholars of ASEM, with a few very notable exceptions (see Helsinki 2006), tend to take on either a historical view or take a single theory and try to explain the claimed rise and decline of ASEM through those views. This is a trend which mirrors the methodology of bilateral studies of the EC-East Asian partnership. This Chapter attempts to avoid methodological inclusions and exclusions through a comprehensive examination of the trends and trajectories within ASEM as well as the material interest, institutionalisation, and ideas inherent in the process.

The first section of this Chapter explores the evolution of multilateral cooperation as perceived in ASEM, from the period when there appeared to be few incentives for European cooperation with the East Asian states of Japan, the ROK and China (plus Southeast Asia) as a grouping until the rapid boom of the East Asian economy, the Asian economy's sudden decline, and the consequences to the cooperation process after the Asian economic crisis. Similar to the vertical dimension analysis in the previous Chapter, the aim of the first section of this Chapter is to highlight three issues. It attempts to underline the periods in cooperation and defection in the ASEM relationship, identify the external conditions which may have led to cooperation or defection, and discuss the evolution of EC-East Asian multilateralism. The analysis of these issues focuses specifically on how the EC has interacted with the three East Asian states of Japan, the ROK, and China within the ASEM context. As noted in the Introduction, some mention of ASEAN will be made in order to frame the context for the three East Asian states working within ASEM.

This observation of the trends in cooperation serves as a background for further analysis in the observation of EC-East Asian multilateralism's horizontal dimension. A number of issues are carried forward from the vertical dimension of cooperation in the multilateral cooperation process, including how the process fluctuates between bilateralism and multilateralism, the true "net" effect of ASEM on cooperation between the EC and East Asia, and how the institutional nature of ASEM may have affected the multilateral evolution process. Similar to the

bilateral study, this multilateral study conducts an analysis of the balancing act between ideational and material interests as well as a focus on the institutional nature of the relationship. In order to understand the direction of evolution in the EC-East Asian multilateral process a material, institutional, and ideational analysis is applied to the study in the second section of the Chapter. By the end of this Chapter, we can expect to find some important insights into the nature of cooperation as well as some answers to the questions interregionalism poses about multilateral cooperation.

**Table 19: Trends and Triangulation in EC-East Asian Multilateral Cooperation**

<b>Vertical Analysis (Section I)</b>	Progression from bilateralism to multilateralism and trends and trajectories from ASEM I to V.
<b>Horizontal Analysis (Section II)</b>	Material Interest, Institutions, and Ideas as seen in ASEM
<b>Key Questions and Propositions in IPE and Interregionalism</b>	ASEM led by states or is it sufficiently institutionalised? Accentuates hierarchy or manages anarchy? Does ASEM undermine global liberalisation efforts? Balance between material interest, institutions and Ideas?

When studying multilateral interregionalism, an issue which cannot be avoided any longer is the inseparability of bilateralism and multilateralism. This thesis initially analyses these two processes separately, as is the purpose of chapters 5 and 6, but the fact that one cannot be mentioned without the other demonstrates their interdependence on each other. This is a theme analysed in depth in the Conclusion, but an example is once again presented in the very next section which shows how bilateralism gradually transitioned towards multilateralism in the 1990s.



## *From Bilateralism to Multilateralism in the 1990s*

As was outlined in Chapter 5's analysis of EC-East Asian interregional bilateralism, the EC had a constant and intensive bilateral engagement with the East Asian states of Japan, the ROK and China, but prior to the 1990s, little attempt was made to engage these important East Asian states in a multilateral framework. The most apparent attempts to set up the framework for regular institutional contact between Asia and Europe in a multilateral context started with the establishment of ASEAN in 1968. The ability for region to region negotiations allowed for informal contacts to be created during the period ranging from 1976 to 1980 (Forster 2000: 790). An institutional link originated in 1972 when ASEAN members Malaysia and Singapore expressed concerns that market access might be reduced due to loss of preferences resulting from Britain's impending membership of the European Community. This grew into formal consultations which resulted in the beginning of a full dialogue relationship, with regular attendance, at the ASEAN Post-Ministerial Meetings (ASEAN-PMC) with other industrialising states from the Asia Pacific in November 1978 (Leifer 1998:200). During this period, there is no evidence that the EC had any plans to incorporate Japan, the ROK, or China into the multilateral framework.

During the period before 1980, it appears that motives and incentives for European multilateral cooperation with East Asia were negligible. Despite Asia's relatively large propensity for development, it was showing no signs of the economic boom which would characterise the region's development during the 1980s onwards. The rise of the Newly Industrialised Countries (NICs) generated some conflict of interest between the EC and East Asia, with Taiwan, Hong Kong, Singapore and South Korea becoming a serious threat to important areas of European production (Holland 2002: 60).

It is hardly surprising that while escalating EC costs and disputes among member states during the early 1980s stalled progress in the EC, the attention of the Europeans were turned away from the beginning of the Asian economic

boom. While the period from the 1970s to the 1980s saw the rise of Taiwan, Hong Kong, Singapore, South Korea being joined by the leading countries in Southeast Asia, the EC could only come up with the EC-ASEAN Economic and Commercial Cooperation Agreement which was generally perceived as maintaining the status quo of static cooperation between the two regions (Holland 2002:62).

The first truly significant multilateral milestone in the EC-Asia Pacific relationship was the 1994 European Commission's "Towards a New Asia Strategy", which aimed at increasing the EC's economic presence in Asia and was the first document to present a coherent strategy for the EC to deal with Asia as a region. It focused on development issues, extending political dialogues, and promoting democracy, good governance, and the rule of law (CEC 1994). Notably, although not unexpectedly due to the decreasing significance of ASEAN vis a vis Japan and the NICs, ASEAN was relegated to "one of the key elements of its (the EC's) Asia policy (CEC 1994). This problem was later fixed by the "Creating a New Dynamic in EC-ASEAN Relations" communication in 1996 (CEC 1996), although the Burmese accession to ASEAN quickly created obstacles for the relationship.

The 1994 strategy, like much of Europe's strategy towards Asia, appears to have been more of a reaction to the escalating significance of the Asian economy, rather than a pre-emptive effort in establishing a strong relationship between the two regions (Murray 2006: 6). It was, however, important in the sense that it introduced a more positive and proactive approach to Asia and the growing significance of the region (Hwee 2006: 3). The 1994 strategy was the first document to deal with Asia as a region, and also appeared to present an understanding of both the concept of Asia and a broader sense of engagement with the region as a whole (Wiessala 2002). It also was significant because it specifically mentioned the need for multilateral cooperation between the EC and Asia, although suggestions were initially that they should be conducted within the context of existing multilateral forums such as GATT and the UN (CEC 1994: Section II). Perhaps the most important aspect of this document with respect to



multilateral issues is to raise the significance of trade liberalization within the multilateral system as well as placing an emphasis on the EC's need to place great emphasis on marketing opening for trade in goods and services. The 1994 Asia Strategy makes a note of the need to "integrate into the open, market-based world trading system" a number of Asian countries, including China, which was moving from state controls to market-orientated economies (CEC 1994: Section V).

East Asia's economic progress, its propensity for protectionism, the nature of its corporatist economy, and the EC's increased level of integration and institutional capacity all appear to have played a role in the EC's attempt to draw the East Asians into a multilateral cooperation process. After over 30 years of trial and error at the bilateral level, particularly in trying to open the Asian markets and to improve the EC's trade deficits, it is perhaps unsurprising that the 1994 Asia Strategy makes explicit mention of trade liberalization based on the existing market-based world trading system.

#### ASEM I – Drawing East Asia Into a Multilateral Framework?

Chapter 5 indicates that three trends are observable in the EC's bilateral relationships with East Asia during the mid 1990s. First, it was clear that the EC was having serious difficulties handling the East Asians' increasing economic growth through a purely bilateral framework. The direct consequence of this is the manner in which, despite constant negotiation and attempts at cooperation, the EC's trade deficit against the Asians have continued to grow due to most of the Asian's extremely rapid economic growth (see bilateral trade data graph 1990-1996). Secondly, there was an attempt to draw the East Asians into a global multilateral framework, either with China through the WTO or Japan with the Hague Declaration, or to a lesser extent the ROK through WTO dispute settlement mechanisms. Thirdly, from the early 90s to mid 90s, the bilateral cooperation process between the EC and East Asia appears to have been facing

an early period of stagnation, noted by cooling enthusiasm for each other as economic partners (see Chapter 5).

For a number of reasons, it is obvious that the EC could not afford to lose access to the three East Asian states along with ASEAN as major trading partners. Its lack of presence in Asia meant that it was at a severe disadvantage to the United States, a fact reflected in the high amount of trade and investments between Asia and the US as well as a more long-standing relationship between the two regions (Dent 1997). A developing distrust of the Asians towards the EC, often perceived as "fortress Europe", meant that the relationship and prospects for cooperation were even lower. By 1996, and despite the "Creating a New Dynamic in EC-ASEAN Relations" communication, relations further deteriorated with ASEAN's willingness to permit the accession of Myanmar to ASEAN. The EC's decision to enforce industrial and agricultural sanctions in response to the use of forced labour further marred relations (Forster 2000: 9).

By this time, the global political economy could be seen as three sides creating a triangular relationship. The first, and strongest, side is the Western Europe and North America side. The second strongest side is between North America and East Asia. Despite the third side, the EC and East Asia, being the oldest one historically, it had proven to be the weakest one in political, economic, and cultural and intellectual exchange (Krenzler 2002:2).

Realising both that the third side of the angle had to be reinforced (Krenzler 2002:2), as well as recognising the threat of further deterioration in relations between Asia and the EC (Forster 2000:795), it was Singapore's Prime Minister Goh Chok Tong who eventually came up with the idea of ASEM (Lim 2001: 91). Europe was attracted to the ASEM format because it offered a way out of a completely deadlocked relationship with ASEAN without having to revise the Cooperation Agreement and Europe's new economic, political, and strategic priorities. It helped to widen EC involvement in the region and offered non-legally binding arrangements based upon a high degree of informality (Forster 2000: 796). In addition to this, the economic incentive for the EC was far from negligible, with the United Nations Conference on Trade and Development



figures stating that in 1995, Asia made up 23.2% of the EC's external trade (Gilson 2004: 186). The 1996 Bangkok Declaration, established at ASEM I, could also be considered a rather muted reaction to the American's active involvement in the region, beginning in 1989 with the establishment of the APEC, an international economic organisation Europe was inconspicuously missing from (Hwee 2002:21).

The desire for cooperation between the EC and Asia is obvious, although the extent to which cooperation would be taken is, and has always been quite ambiguous. The Asian initiative for ASEM, spearheaded by Singapore, clearly showed that ASEAN saw a strong potential in its ties with the EC. The fact that ASEM eventually included Japan, Korea, and China in the forum, however, positively indicates ASEAN awareness that its attractiveness alone was not enough for EC to seriously engage with. In fact, the inclusion of these three critical East Asian states was considered to be the core distinction between the previous multilateral engagements (such as the EC-ASEAN dialogue) which were already in place (Gilson 2004: 313). The inclusion of the large Japanese economy as well as potential benefits of access to China's market was also regarded as incentives for cooperation (Holland 2002: 64). The multilateral, flexible, nature of ASEM, aided with the attraction of access to Japan, Korea, and China's economic potential, appears to be the real driving force behind the EC's enthusiasm to initiate cooperation in the form of ASEM.

The deteriorating relationship between ASEAN and the EC might have been the reason that moved the Singaporean Prime Minister Goh Chok Tong to propose the formation of ASEM (Camroux and Lechervy 1996). Forster explains that ASEM was a novel means for the EC to get out of an increasingly obsolete relationship with ASEAN and also allows the EC to have an larger involvement in the region (2000). Allen and Smith further state that a more balanced regional approach between the EC and ASEAN could be reached, with ASEM providing for comprehensive, big picture issues, while ASEAN allows for more specific focus as well as political issues (2002:101).

**Table 20: Initial Motives and Expectations for EC-East Asian multilateral cooperation as seen in ASEM**

EC	ASEAN + 3
get out of deadlocked relationship with ASEAN increased presence within Asia-Pacific and counterbalance US dominance in region increased trade with the Asia Pacific, especially with Japan, China, and Korea opportunity for a flexible and multilayered, although structured, relationship with Asia	continued economic relationship with a major trade bloc increased channels of access with the EC counterbalance to US hegemony within the region group to group means of negotiations based on "Asian values" (informality)

The inaugural ASEM I meeting in Bangkok included 25 Asian and European countries and the Commission. The main objective of the meeting, attended by heads of government from twenty states, Foreign or Home Affairs Ministers from four EC states, and the Chinese Prime Minister, was to establish mutual confidence in the process and to set guidelines for future meetings. The "Chairman's Statement" from Bangkok is the main guiding document for the ASEM process and establishing three pillars: one pillar is concerned with fostering political dialogue, one with re-enforcing economic co-operation, and one with promoting co-operation in the social and cultural fields. It was at ASEM I where its key characteristics of informality, multidimensionality, and high level focus were established (CEC 2002b). The general conclusion gathered from both the EC and Asian participants was that ASEM I had clearly achieved its goals and set up high expectations for future cooperation (Dent, 1997).

Even as there was consensus that ASEM I had accomplished its set targets, the very principles which characterise the forum - informality, multidimensionality, and high level focus – may have set up a poor foundation for future cooperation due to the manner in which it "risks slumping further into a bureaucratic arrangement in which process becomes as important as outcome" (Gilson 2004:195). The weakness of the process revealed even during this early stage when it was being heralded as a success when the "Trade Facilitation Action Plan" and the "Investment Promotion Action Plan" were clearly found to be non-controversial and evasive of possibly contentious economic issues (Dent 2004, Hwee 2004:28). Economic interests did not mean only market access for



the EC, but it appears that the EC also had an interest in protecting its domestic market through trade defence weapons.

**Table 21: Agreed Key Characteristics of the ASEM Process**

its informality (complementing rather than duplicating the work already being carried out in bilateral and multilateral fora); its multidimensionality (carrying forward political, economic and cultural dimensions equally) its emphasis on equal partnership, eschewing any "aid-based" relationship (taken forward under our bilateral relations) in favour of a more general process of dialogue and cooperation and its high-level focus, stemming from the Summits themselves. (CEC 2002A)
---

One of the key conclusions of the inaugural Bangkok Summit was that the relationship be based on reciprocity. As an informal process, there was also a general agreement that ASEM need not be institutionalised. Instead, it was expected to promote dialogue between governments, between the business and private sectors of the two regions, and between peoples of the two regions (CEC 1996). Despite the difficulties in trade protectionism pointed out above, leaders involved in the ASEM process hoped that this cooperation based on partnership and reciprocity would result in mutual benefits that would often be intangible.

### ASEM II – Does Money Matter?

Ironically, the strongly mutual cooperation process lasted only a year before the Asian economic crisis hit Thailand and snowballed to South Korea. This effectively turned the tables around with Europe suddenly finding itself with a larger trade deficit against Asia than ever before due to Asia's currency devaluations and being subject to a test of whether the ASEM process would flourish under a considerably less prosperous Asia. The balance of trade favouring ASEM at 30 billion ECUs before the financial crisis tripled by the end of the 1990s (Holland 2002: 65). Despite the European side's announcement of commitment towards aiding the Asian economy, ASEM II and III offered little

promise of any substantial action or policies between the two regions. Interestingly, despite the hype of two years previously, the British Foreign Office Minister Derek Fatchett wrote that 'ASEM should not and will not replace or overshadow our various bilateral relationships with Asian partners' and that ASEM should instead foster the respective bilateral ties (Fatchett 1999: 25).

The principle of reciprocity was not easy to uphold at the 1998 ASEM II summit in London, held shortly after the 1997 Asian economic crisis. Though by June 1997 the EC had already established a range of technical and financial support linkages and was voting in favour of the main multilateral support initiatives, still some media on both sides challenged the relevance of ASEM. Despite some criticism from the media, the leaders convened at ASEM II reaffirmed their pledges of mutual support and addressed the cohesion of the ASEM process and its long-term implications (Holland 2002:77).

There were concerns that at ASEM II, held right after the Asia crisis, EC officials were quick to raise the issue of Burma and human rights, an issue previously classified as highly sensitive in the EC-ASEM relationship. The Asia economic crisis may have dulled the EC's enthusiasm for a relationship with the EC, particularly when trade deficits rose and the Asian economic miracle were stunted (Helsinki 2006:32). The notion of "neutrality", intended to facilitate the discussion of potentially contentious issues, was challenged at this second summit and a subsequent report by a vision group eventually demonstrated how much more ASEM could do with regards to human rights and the opening of markets (Gilson 2005:314). When the issue of human rights was raised despite the Asian ASEM members protests, it appeared that the degree of reciprocity and equality previously promised at the Bangkok Declaration was no longer in place. Placing conditionality on the EC-ASEM relationship, however, has been rather unsuccessful in the past due to the heterogeneity of the Asia-Pacific region, the economic parity between the two regions, and the informality of the ASEM dialogue which prevents formal establishment of the conditionality into the relationship.



While an ongoing dialogue was institutionalised, the potential for greater cooperation was not being realised. As previously mentioned, an important consequence of its informality is that each ASEM Summit usually did not have a fixed official agenda, and each representative was allowed to bring their agenda to the table as long as it was not previously specified as a taboo topic (Hwee 2002). The informal process and focus on dialogue meant that little was put on paper and a means to enforce the agreements were lacking. Even before ASEM III convened, the Commission was already warning of "fatigue" in the ASEM process if there was not more substance in the discussions (CEC 2000:2). This very institutional flaw, sometimes dubbed "soft institutionalization", meant that the Europeans were only able to express their concerns and commitments to aid Asia in its financial (Helsinki 2006:32).

In January 1999 the European Commission's DG1 for External Relations attempted to confirm the relevance of ASEM and published an overview of Europe's material and political commitments to Asia, as compared to that of the US. Making use of the publication, Schmit notes:

"The figures illustrating the EU's commitments in Asia put the question of relevance into proper perspective. Together EU countries account for some 30% of the IMF quota, 27% of the subscribed capital of the World Bank and 14% of that of the Asian Development Bank. The total value of financial support from Europe to Asia stood at almost Euro 27 billion, which is 18% of the total as compared to an American share of 15%. In 1998 Europe has seen a negative effect on the trade balance with Asia amounting to some Euro 50 billion as compared to USD 45 billion cushioned by the USA. The figures for overseas development aid and humanitarian aid from the Union to the region triple and double those of the USA. Of the total value of debt relief schemes the European share was 75% compared to a 10% share for the USA. Meanwhile

Europe's paid up share in UN dues is proportionally higher as compared with the partly overdue share of the US estimated at USD 1.3 billion". (Schmit, 2002:42)

Despite the EC's reaffirmation of Asia's importance, Gilson notes that the most substantial move to help the Asian's in this time of need was made through ASEM II's Trade and Investment Pledge and the Trust Fund at the World Bank from June 1998 (2004: 194). This has not been considered to be a helpful package and only promised a total of ECU 42 million to assist the seven countries most affected by the Asian financial crisis for technical assistance, advice on restricting their financial sectors, and measures to deal with the growing social problems caused by the crisis (Gilson 2004: 194). The sum is considered to be "paltry" considering the seriousness of the crisis, and "essentially revealed the lack of EC 'trust' in East Asia" and was a "passive, not proactive" action, Dent states (2003:231). This particular failure to aid the ailing Asian economy was considered to have disappointed several Asian member countries which hoped that ASEM would be a "solidarity instrument" (Park 2005:35). Other observers have called ASEM's failure in this instance "typical examples of fair weather cooperation" and that the failure of the institution as crisis management mechanism is due to its low level of institutionalization and "aversion to hard law and binding agreements" (Rüland 2002: Section 1).



### ASEM III – More Politics, Less Economics?

To avoid risking the ASEM process derailing, the ASEM leaders agreed that the main challenge in the 2000 ASEM III Summit in Seoul was to confirm the real value of the ASEM process, both for governmental participants and for the broader public (CEC 2000). The EC's goals for ASEM III was to be an affirmation that Asia remained the EC's largest trading partner, a reassurance that despite the EC's transformations, it continued to remain outward-looking, and an attempt to broaden and deepen political dialogue with Asia. In the words of Michael Reiterer, the Commission's ASEM Counsellor, the third summit in Seoul "needed to demonstrate that there need not be dramatic events occurring to justify meetings of European and Asian heads of state or government" (2000:1). In other words, ASEM needed to be seen as an institution, not just as a crisis management mechanism. This justification may have eventually have been founded in the manner in which ASEM III evolved to see politics take a more prominent position at the summit than economics.

It appears that if there were no dramatic events, one would be instigated in any case, just for the sake of having an agenda for discussion at the summit. Reiterer admitted that from an ASEAN perspective, the "Summit might have been overshadowed by the DPRK" (2000:3). In this instance, attempts to develop a more tangible political focus were interrupted by events on the Korean Peninsula. The ASEM partners offered to facilitate confidence-building measures, enhance regional stability, and eventually aid in the reunification of North and South Korea. Not too surprisingly, the EC was unable to take a common response to the question of establishing diplomatic relations with North Korea.

The Seoul Summit managed to adopt the Asia-Europe Cooperation Framework (AECF), the Seoul Declaration for Peace on the Korean Peninsula, and the chairman's statement. At China's and some other Asian nations' request, a clause on weapons of mass destruction was deleted from the Seoul Declaration for Peace on the Korean Peninsula, showing a clear divide in interests as far as security matters are concerned (Shin 2000). Some observers

felt that the Seoul meeting was groundbreaking because of the additional focus on the political pillar over the economic pillar although other analysts felt that this was due to a decreased European interest in Asia after the financial crisis (Helsinki 2006:32).

The Asian economic recovery took place amid a period of a cautious global economy, experiencing generally slow overall growth. Although signs of economic recovery were present, the world was unexpectedly hit by the events of September 11 and eventually the war against terrorism took over the global agenda as well as that of ASEM.

#### ASEM IV – Towards or Against Global Multilateralism?

Hwee described the 2002 Copenhagen Summit to be “as good as it gets”, and explained how the presence of twenty two out of twenty six leaders and the fact that political leaders came properly briefed by their officials on what to expect were a sign of ASEM’s political significance (2003: 52). Other signs of a “good forum” were reflected in how there was good interactive discussion rather than prepared statements and how no issues were off-limits (Hwee 2003:53). While these may have been markers for good dialogue to some degree, it was clear how low expectations had become for ASEM IV. Gilson instead describes this summit as “a somewhat muted affair” (2005:315). The issue of multilateralism, however, came to the foreground of the summit and was meant to promote ASEM as a forum for pre-emptive discussion on WTO issues became a key focus of discussion. Expectations at this stage appeared to be that ASEM needed to evolve to serve a global multilateral purpose, but whether it was capable was a strong point of contention.

The key economic development at the Copenhagen Summit was an agreement among the summit leaders that the ASEM process is an effective instrument for consultation on the WTO DOHA Development Agenda. The Fourth ASEM Economic Ministers’ Meeting in 2002 met within ASEM’s context to discuss in advance items on the WTO’s Doha Development Agenda (Gilson



2004). It was agreed that two rounds of consultations by WTO experts would help in preparations for the WTO mid-term Ministerial Meeting in Cancun in autumn 2003 (CEC 2002). The Chairman's statement actually predicted a fresh assessment after a successful end to the Doha Development Agenda, so that Region-to-region cooperation should then be enhanced "including new steps aimed at furthering economic integration between the two regions" (CEC 2002). To prepare for this in more detail, the ASEM economic leaders asked the ASEM coordinators to set up an action-oriented Task Force which would encourage closer cooperation in the areas of trade, investment, and finance (Krenzler 2002:8).

At the Fifth ASEM Economic Ministers Meeting, where Krenzler had hoped that ASEM could play an "important role as a catalyst for action in other action oriented fora" (2002:11) an apparent loss of interest in the process on the part of Europeans was evident. During July 23rd to 24th, only economic ministers from France, Luxembourg, Ireland and the EC trade commissioner participated in the meeting while most Asian nations sent their ministers. The other EC members sent only deputy economic ministers or their representatives. An Asian participant actually observed that "Most read notes in the meeting which added nothing to cooperation" (Pongvutitham 2003). The indifference of the EC representatives in ministerial meetings leading up to ASEM V may also serve as a degree of proof that Europe's interest in Asia was diminishing, although it was noted by an observer that the forum fatigue usually manifests itself at lower levels rather than at summit attendances (Reiterer 2004:10).

In addition to this, the establishment of a new task force was agreed on to find tangible routes to enhance the EC-East Asian economic relationship. Macro-projects within the framework were encouraged and ASEM was encouraged to look at closer coordination of activities across its three pillars. At ASEM IV, members were also encouraged to take a closer examination on how it could interact positively and proactively with other multilateral organisations (Gilson 2004: 196). Some observers feel that this attempt at global multilateralism was doomed from the beginning as the Doha round trade agenda had been "both

overloaded and accelerated by the EC, and the US and its allies” and that developing countries had not been given the opportunity to fairly negotiate at the WTO (Kwa 2002: 26). Kwa argued that the developing Asian ASEM member’s lack of technical expertise in negotiations and the unfairness of the Doha discussions had served as a fateful backdrop of the Copenhagen summit (2002:26). The eventual failure of interregional multilateral forums such as ASEM and APEC to make an impact on the Doha round was some proof of Kwa’s predictions, and the manner in which the G-21 coalition included key members of APEC and ASEM meant the value of these forums for global multilateral forums such as the WTO was limited (Economist 20 Sep 2003: 26-28). Some analysts went as far as to state that ASEM’s aim to promote trade liberalisation looks “complete unrealistic for the near future” due to the members’ inability to reconcile fundamental differences (Mauil and Okfen 2003: 245).

The Asia-Europe Cooperation Framework (AECF) was not a framework seriously discussed in the fourth ASEM Summit in Copenhagen two years later. Issues on the fight against terrorism rose high on the agenda after the events of September 11. The Bali attack, occurring not long after the September 11 events, also urged ASEM coordinators to establish an ad hoc informal consultative mechanism enabling ASEM coordinators and senior officials to “confer expeditiously on significant international events” (Krenzler 2002:5). This appeared to be a particularly bold move in the political pillar of ASEM where agreements among nations concerning political events are scarce, both on the side of the EC and their Asian counterparts. It has been pointed out that that the political talks, normally unwelcome particularly on sensitive issues at ASEM, may have been the lifeline of ASEM in this case because the ASEM economic justification after the Asian economic crisis may not have been enough to sustain the process (Lim 2003:132).



## ASEM V – Enlarging ASEM

If for nothing else, ASEM V will be remembered as the enlargement ASEM, with the new 10 EC member states being added to ASEM's membership. Along with the EC's enlarged membership came the troubling issue of Burma's membership, whereby the Asian members of ASEM argued that Burma should be allowed to join the forum simply due to the fact that it was an active member of ASEAN. While ASEM IV was called a muted affair, Asem V was, in similar vein, considered a "transition summit" (Helsinki 2006:33).

The fifth ASEM Summit held in Hanoi, Vietnam, 7–9 October 2004, under the theme 'Further Revitalising and Substantiating the Asia-Europe Partnership', was inevitably affected by the issue of Burma (CEC 2004). Instead of growing into a mature and structured framework for cooperation in its upcoming fifth summit, the Asian and European counterparts of ASEM were instead fixed in a struggle over the inclusion of Burma in ASEM. A conference of EC foreign ministers in Luxembourg cancelled a meeting of ASEM finance ministers in Brussels in July and a meeting of economic ministers in the Netherlands in September, apparently due to Asian ASEM members' insistence that Burma be included in the upcoming summit. Here, there was division amongst the Europeans themselves with the UK and Netherland pushing for a harder stance, while France was supporting more mediation (Perreira 2005:18). Indonesia and Thailand had already criticised the decision to cancel the two ministerial meetings, which they said had been made without proper consultation with ASEAN. Reiterer argues that an imbalance exists in ASEM's enlargement logic, since the degree of EC integration almost obliges automatic inclusion of the EC's new member states into the ASEM process (2004:9). In effect, this puts the European in control over ASEM enlargement on the EC side (Reiterer 2004: 9). Ironically, ASEM V's success may have been that despite cancellations of lower level meetings and the haggling over enlargement, the summit even took place (Helsinki 2006:33).

This seems to point toward increasing indifference toward ASEM by its European members. The focus of the ASEM process has been mainly economic, and trade figures show that the Asian half of ASEM has been the main beneficiary of closer channels of access to their European counterparts (see trade figures 1996-2004). Even at that stage, the EC's trade deficit with its Asian ASEM partners remained an issue on the table at ASEM summits. Figures show the EC's external trade with China, one of the main motivations for cooperating in the ASEM process, experiencing a widening deficit, one that quadrupled from ECU11.6 billion in 1995 to ECU44.6 billion in 2000 (Eurostat 2000). Similar albeit less-drastic trends existed in figures for EC trade with the rest of the Asian ASEM members.

If the EC's interest in ASEM had waned due to the Asian economic crisis and continued trade deficit with Asia, it would have decreased further with ASEAN+3's almost complete refusal to discuss sensitive political issues, denying the EC a coveted position in becoming a major player in the region. Since ASEM I, human rights have constantly been a European concern, whereas Asian participants have preferred an exclusive focus on trade. The European partners only agreed to Burma's accession a month before the Summit, and only under the condition that it would be represented at a level lower than the head of state or the head of government.

The European members used this opportunity to express their concerns over the issue of human rights in Burma, and urged for a successful national reconciliation process as well as the reestablishment of Burma's political party freedom. In a Foreign Minister's meeting held later on October 11, a set of new measures were agreed on including: (i) an expansion of the visa ban; (ii) prohibition of EC companies financing state-owned Burma/Myanmar enterprises; (iii) extension of loans by international organisations to Burma/Myanmar (vote by EC Member States) (Perreira 2005: 18).

It has been accepted that ASEM V can be considered a "transition summit" with no landmark decisions (Perreira 2005:19), although similar conclusions could perhaps be reached concerning the past few ASEM summits.



While the issue of Burma dominated issues on one front, the other half of the effort was spent discussing issues which were brought to attention due to the changing global political economy. This included the ongoing issue of terrorism, environment, global diseases, and regional themes of common interest.

On the economic front, most of the discussion centred around energy issues, an issue particularly relevant due to the current rise on world oil prices (Perreira 2005:19). As a result, the leaders established a Hanoi Declaration on Closer ASEM Economic Partnership, a document aimed at reiterating the principles of ASEM economic cooperation, recognising the economic potential of the two regions, encouraging the improvement of the Asian economy, and reaffirming the commitment to work together to overcome challenges in the global political economy (CEC: Hanoi Declaration 2004). Once again, this declaration merely embodied a set of principles and intent rather than a set and actionable work plan.

The Task Force for an Asia-Europe Closer Economic Partnership did, however, manage to present five concrete proposals including the creation of a virtual ASEM Secretariat, an ASEM Bond Market and Bond Fund, incorporation of regular consultations on energy issues into the ASEM Economic Pillar, creation of an ASEM Virtual Promotion for Trade, Investment and Tourism, and creation of an ASEM Business Advisory Council.<sup>28</sup>

The issue of forum fatigue nevertheless resurfaced once again in a document entitled "recommendations for ASEM working methods" whereby a set of recommendations have been made for the Foreign Ministers' approval. Some of the recommendations included requests for means to facilitate a fuller participation by Foreign Ministers, suggestions that the Senior Officials' Meetings (SOMs) should become a place for substantial policy discussion, and increasing the visibility of ASEM through generalised use of the ASEM logo (CEC: Annex 2 of Statement). This may indicate how the forum is struggling for recognition and perhaps, to justify its existence.

---

<sup>28</sup> <http://www.realinstitutoelcano.org/especiales/asem/docs/20040914ASEMTaskForceFinalReport.pdf> (Accessed: 12th September 2006)

**Table 22: EC-East Asia Multilateral Evolution of Cooperation**

<b>Date</b>	<b>EC's Stance</b>	<b>Surrounding Circumstances</b>	<b>Outcome</b>
<b>1994-1996 (ASEM I)</b>	<b><i>Cooperation</i></b>	East Asia's rapid economic growth, bilateral trade deficits large and some stagnation of bilateral cooperation, establishment of APEC, trend towards multilateralism in general	Great enthusiasm for the launching of ASEM project, the Asian side's economic strength meant that they were able to talk to the EC on their own terms – this meant that informality was accepted as an ASEM principle from the beginning
<b>1996-1998 (ASEM II)</b>	<b><i>Indifference</i></b>	1997 Asian economic crisis effects, some momentum maintained from ASEM I, some sign of forum fatigue	Clear signs that EC and East Asian partners were not on equal economic strengths any longer, EC trade deficits became wider due to currency fluctuation, no fixed official agenda at summit, little help from Europe to assist with the Asian financial crisis,
<b>1998-2000 (ASEM III)</b>	<b><i>Indifference</i></b>	Forum fatigue still a problem, Asia still recovering from economic crisis	Summit focused mainly on resolving existing problems in the Korean peninsula, issues proposed at meetings in between and summit were intangible and vague, the ASEM process was turning increasingly bureaucratic
<b>2000-2002 (ASEM IV)</b>	<b><i>Indifference</i></b>	September 11 and other terrorist activity, WTO Doha rounds	EC moves towards making ASEM a supporting forum for the WTO, struggle to justify ASEM's existence, most of the summit dominated by the issue of global terrorism
<b>2002-2004 (ASEM V)</b>	<b><i>Defection/ Indifference</i></b>	EU enlargement leading to Asian members' insistence that Myanmar be included in ASEM	Transition summit, no landmark decisions, cancellation of two ministerial meetings prior to the summit due to the issue of Myanmar inclusion, enlargement agreed – but forum fatigue and justification of ASEM existence was still a problem



## *Material, Institutional, and Ideational Influences*

In order to examine the material, ideational, and institutional influences within the EC-East Asian multilateral relationship as seen in ASEM, this Chapter takes on the same process as Chapter 5. The same key three elements; trade, institutional development and dialogue intensification, and strategic documents are observed in order to extract the material, institutional, and ideational influences within the multilateral framework. As argued in Chapter 5, one can expect either a predominance of material, institutional, and ideational influences to be present in each of the key elements, or an equal mix of each.

First, the examination of trade statistics will analyse the trade flows occurring between the EC and the Asian ASEM members. The dynamics taking place as shown by these trade statistics could be both an indicator of why the relationship has taken the form that it has and a test of whether ASEM may have become dominated by a material focus. Not unlike the bilateral trade examinations, any fluctuations in the multilateral relationship occurring due to trade deficits and imbalances are expected to be an indicator of the predominance of material interest. Likewise, if the multilateral relationship is comfortably sustained despite noticeable lack of reciprocity in trade figures, it could indicate towards the influence of institutional or ideational influences.

Secondly, the multilateral institutionalisation and dialogue intensification examination focuses on the key historical highlights in the creation of multilateral institutionalisation and the dialogue occurring during ASEM's short history. Over the years, ASEM has become an increasingly complex interregional forum involving a very large number of high level meetings as well as working groups. The "institutionalisation" of the relationship could possibly point towards an increased consideration of ideational factors, although the nature of interaction during ASEM activities could also point towards increased material interest. It is important for this section on institutions to observe the nature of interaction within the ASEM framework to determine whether the increased institutionalisation of

the process has been a factor in leading towards, restraining, or framing ideational or material gains.

The institutional examination also needs an analysis of the key historical junctures and directly links back to the material examinations. This is an important examination particularly because they could point towards how key policymakers among the ASEM members have decided to react to constantly shifting trade statistics. The historical junctures would be a measure of how idea, values, and codes of conduct might have been applied as a response to constantly shifting material interests. This examination is once again applied to measure the balance between material and ideational interest in the ASEM process.

Finally, a rhetorical analysis of the numerous key strategic documents and statements in the ASEM process will be undertaken in order to determine the level of material, ideational, and institutional influences within the relationship. In the past decade, the summits and ministerial meetings have resulted in several statements and documents which is expected to serve as an indication of the direction the EC 'thinks' the relationship is taking. The documents produced at and between ASEM summits are a examination of the balance between what the ASEM partners might consider to be desired ideas and values or embedded vested material interests. This rhetorical analysis would help to ascertain how material, ideational, and institutional influences may have become a part of ASEM and a result of its various sessions of negotiations.

The observations are designed to examine exactly how materialism, ideas, and institutions are considered important in this multilateral relationship, and consequently, how this might result in cooperation or defection within the relationship. By the end of this Chapter, the balance between material interest, ideational values, and institutional influences and how this has affected multilateralism as is witnessed in ASEM should become clear. As a consequence, the evaluation of the influences within the ASEM cooperation process will help us to enhance our understanding of cooperation within multilateral interregionalism.



## *EC-East Asia Multilateral Trade: Indifference Due to Loss of Material Interest?*

### Current Aggregate Trade Volumes

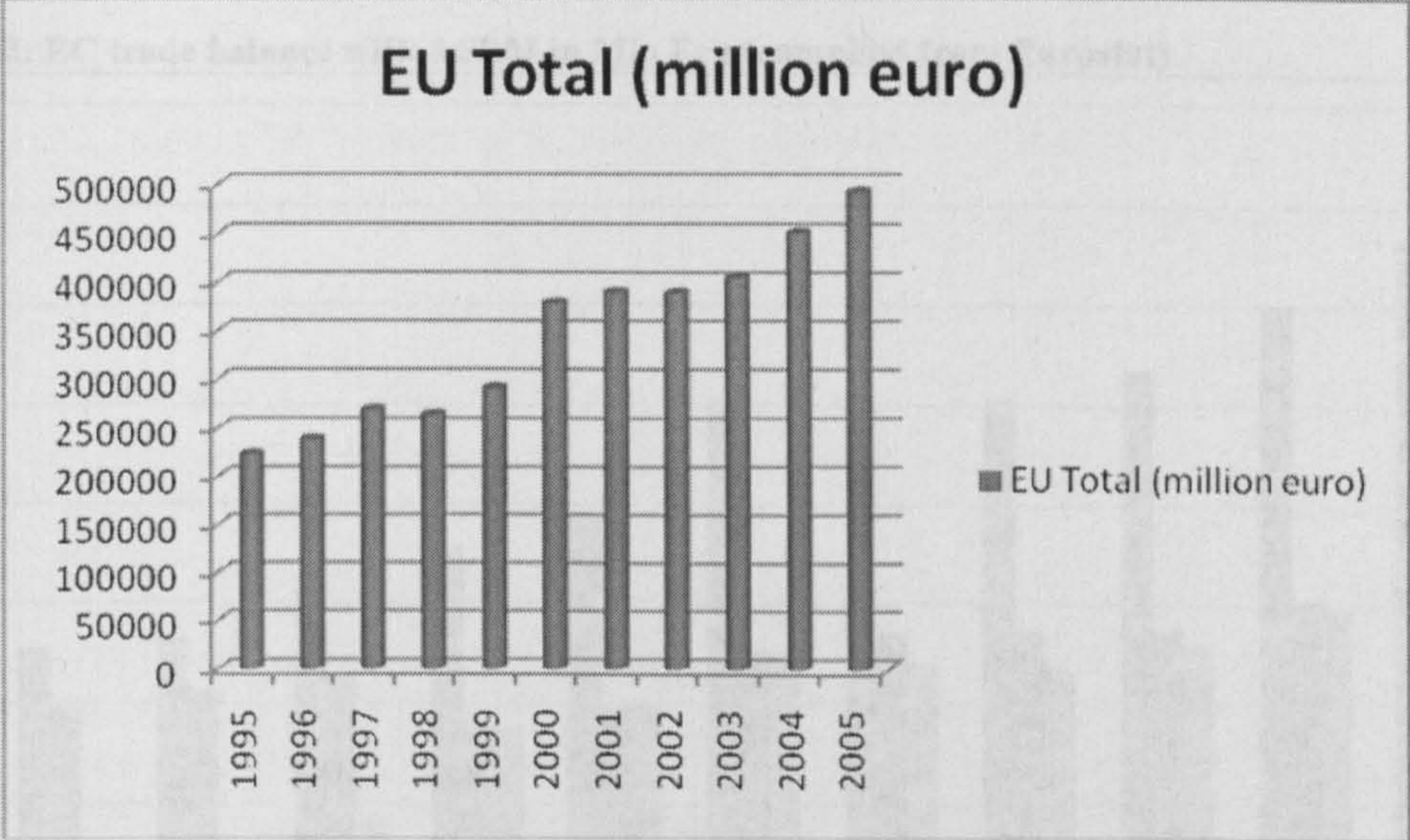
As shown in the bilateral studies, the current aggregate trade volume is an important examination of the intensity of the interaction as well as the material, ideational, or institutional propensity between the trading partners. A number of detailed examinations into the current aggregate trade volume between the European members of ASEM and the Asian ASEM members are essential in determining whether the multilateral forum might have helped to stimulate trade as intended. This section will first see whether there is a substantial rise in the trade flow between Europe ASEM and Asia ASEM members. Then, it will determine the increase in percentage in the share of total EC global trade. Finally, it will determine the EC's gains or losses against the individual Asian ASEM members. The primary aim in this section is to examination ASEM's possible significance in stimulating and facilitating trade as has been the aim of the forum leaders. The secondary aim would be to detect any anomalies in the trade figures, particularly any imbalances which might lead to decreased cooperation between the partners.

In 1995, immediately before ASEM's conception, the aggregate of EC trade with Asian ASEM countries was 223245 million euros while a decade later, the total had more than doubled to 493434 million euros (Eurostat 2006). There has been a clear and steady rise in the trade interaction between the EC and Asian ASEM partners. This is to be expected and does not provide any conclusive evidence that the ASEM forum might have contributed to this success. The two drops in the total aggregate, once taking place in 1998 and the other in 2002, however, are an excellent indicator of how the Asian Economic crisis and the terrorist attacks of September 11 2001 have had a substantial



impact on the rise between trade between the EC and the Asian ASEM members.

Figure 11: EC Total Trade in Goods with ASEM (million Euro) - Eurostat 2005



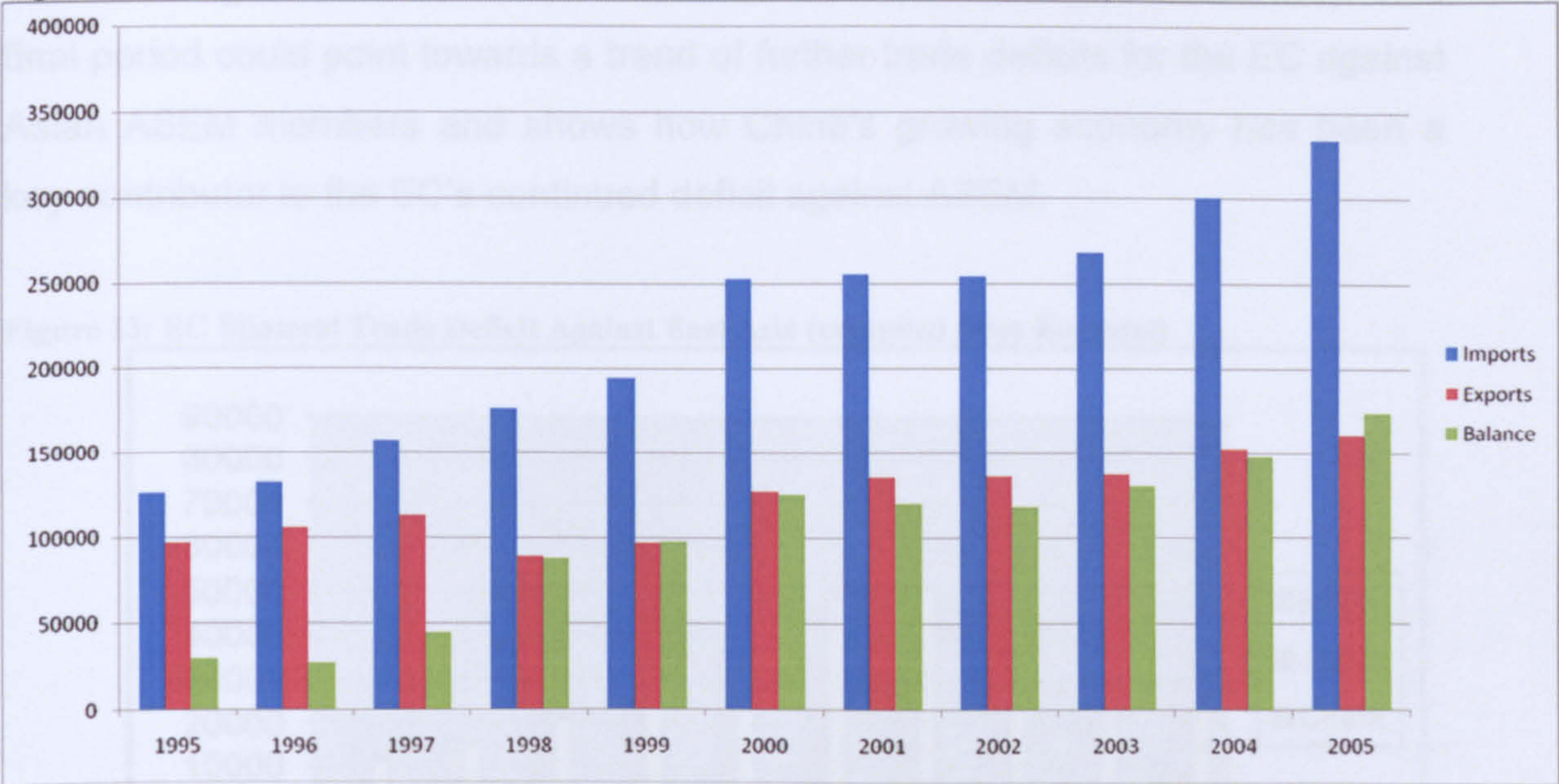
Despite these fluctuations, there appears to be rather clear evidence that the volume of trade between the EC and Asia ASEM members has steadily been on the increase. Eurostat figures detailing Extra-EC/EU imports by main partner countries indicates a larger and growing relative proportion of imports to the EC from ASEAN, China, and Japan. This appears to have come at the expense of a decreased relationship between the EC and OPEC (Eurostat 200:144). Extra-EC/EU exports by main partner countries to ASEAN, Japan and China also shows signs of increased interaction between the two regions, although the growth in exports to the Asians are smaller than the Asian exports to the EC. This has resulted in the EC's growing trade deficit with their ASEM partners, an issue which remains to be solved at the ASEM summits or possibly at the bilateral level (Eurostat 200:144).

Strong signs of how material interest influence the EC-East Asian multilateral relationship clearly lie in the all important statistics of imports, exports, and trade balances. Between 1995 and 2005, EC imports from Asian ASEM had almost tripled with an increase of 264 percent in the same time span.



EC exports to Asian ASEM members, however, only had an increase of 164.9 percent in the same time period (Eurostat 2006). This is a trend clearly reflected in the trade deficits the EC has experienced against the Asian ASEM members.

Figure 12: EC trade balance with ASEM in Mio Ecu (compiled from Eurostat)



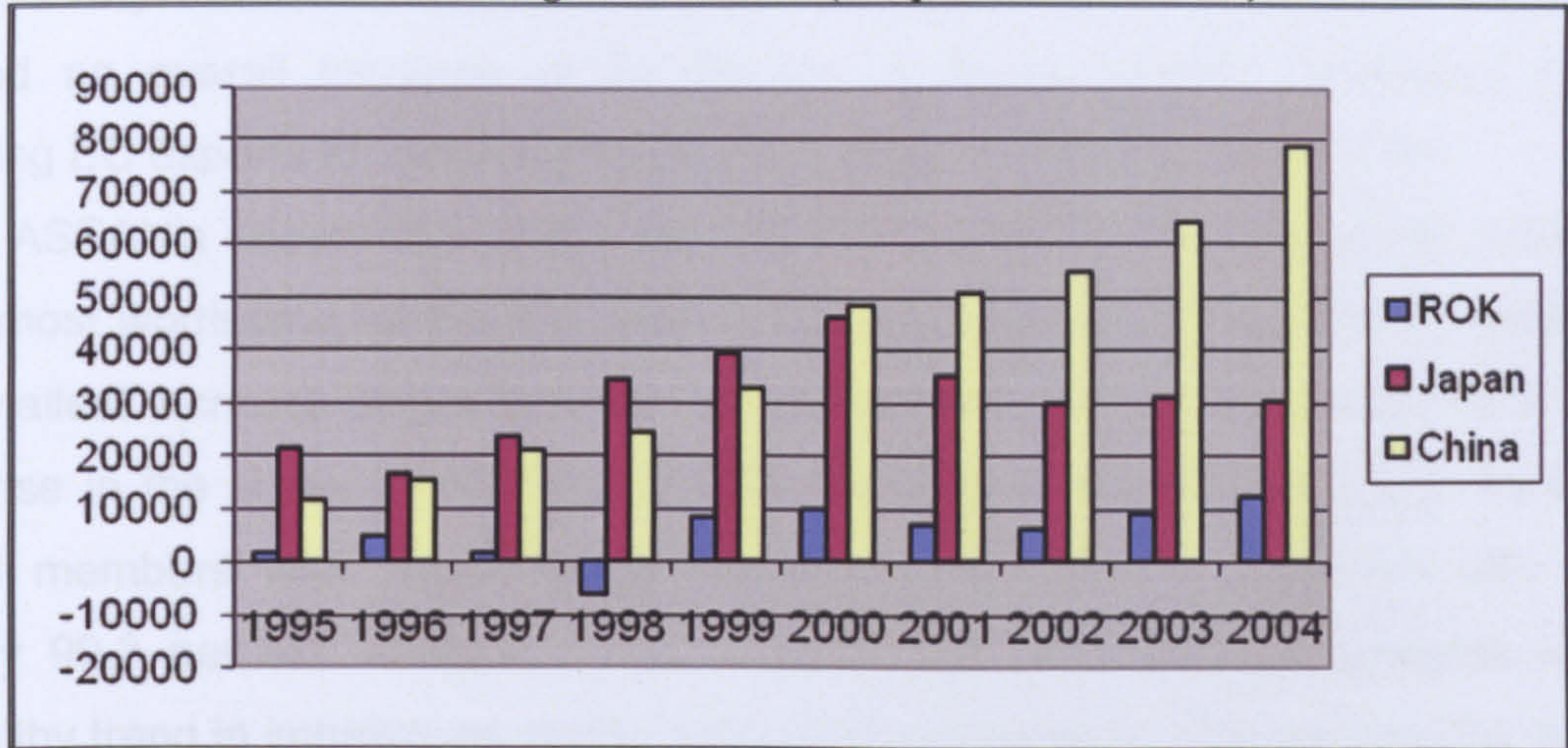
Year	EC Imports (million euro)	EC Exports (million euro)	EC Balance (million euro)
1995	126237	97008	29229
1996	132433	105872	26561
1997	156910	112743	44167
1998	176094	88457	87637
1999	194518	97112	97406
2000	252262	127014	125248
2001	255193	135446	119747
2002	253836	136161	117675
2003	267867	137549	130318
2004	299731	152005	147726
2005	333391	160043	173348

As concerns trade balances, there appears to be three periods of particular significance. The first one is the imbalance increase between 1996 to 1998 which could generally be explained by Asia's boom and bust economy. This resulted in an increase in the EC's deficit by 329.9 percent in merely two years and a serious cause for concern for the Europeans (Eurostat 2006). The second period



of interest in the trade imbalances is the levelling of the imbalances between 2000 and 2002 which may have been the result of a general global economic slowdown. The final period of significance is 2004 to 2005 which once again saw a relatively large rise in the imbalance, possibly due to China's increased economic significance and realisation of its trade potential (Eurostat 2006). This final period could point towards a trend of further trade deficits for the EC against Asian ASEM members and shows how China's growing economy has been a key contributor to the EC's continued deficit against ASEM.

Figure 13: EC Bilateral Trade Deficit Against East Asia (compiled from Eurostat)



An analysis of the current aggregate trade volumes occurring within the ASEM framework needs to take into consideration the nature of the unequal economic status of member nations, particularly on the Asian side. The Asian ASEM members include the Association of South East Asian Nations (ASEAN), Japan, South Korea, and China. The three East Asian economies are far more significant in economic terms on their own, while the ASEAN members need to be considered together to gain an economic significance close to the individual significance of Japan, South Korea, and China. This, in itself, might present complications into the ASEM process, particularly after the Asian economic crisis when the economic progress of some very promising economies in South East Asia was clearly hampered. It is expected that such unevenness in the economic



significance of each of the Asian member states could affect the evolution of cooperation.

A European Background Study by the University of Helsinki points out some very important facts about Asia ASEM's significance as a trade partner and the trade imbalances. First, from 1995 to 2004, the Asian ASEM share of total EC exports decreased by 1.16 percent while EC imports from Asian ASEM rose by 6 percent of the EC total imports. Equally illuminating is how the share of EC total exports to Asian ASEM actually decreased despite EC exports to China more than tripling during the given time period. Similarly, exports to South Korea had risen by almost 45 percent. Exports to Japan over the ten year period showed an overall increase of 31 percent, a figure notably decreased by declining EC exports to Japan between 2000 to 2004 (Helsinki 2006: 108).

ASEAN's economic significance within the ASEM framework could prove to be most worrisome for the Europeans in this context. 1995 to 2004 indicated the smallest increase of just over 15 percent in EC exports and a 2.03 percent decrease in the share of EC total exports, the largest drop amongst the Asian ASEM members with Japan being second (-1.26 percent). Coupled with a healthy 99.3 percent increase in EC imports from ASEAN, this presents an unhealthy trend in imbalances which shows little potential for improvement for the EC (CEC 2002A). Similar troublesome trends for the EC in the trade imbalance dynamics are evident with China and Korea, although China trade deficits for the EC might be offset by the trend towards and the potential for increased EC exports. Korea and ASEAN, on the other hand, clearly do not portray the same potential.

Table 23: EC Exports and Imports (million euro) - Helsinki 2006

<u>EC Exports</u> (million euro)	1995	Share of EC total* (%)	2000	Share of EC total* (%)	2004	Share of EC total* (%)	Change 1995- 2004	Change 1995-2004 (%)	Change in share of EC total '95-'04
<i>Japan</i>	32,896	5.74	45,460	5.31	43,210	4.48	10,314	31.35	-1.26%
<i>South- Korea</i>	12,331	2.15	16,702	1.95	17,815	1.85	5,484	44.47	-0.30%
<i>China</i>	14,690	2.56	25,758	3.01	48,131	4.99	33,441	227.64	2.43%
<i>ASEAN</i>	37,091	6.47	41,777	4.88	42,748	4.44	5,657	15.25	-2.03%
<i>Total Asian ASEM</i>	97,008	16.92	129,697	15.14	151,904	15.76	54,896	56.59	-1.16%
<u>EC Imports</u> (million euro)	1995	Share of EC total* (%)	2000	Share of EC total* (%)	2004	Share of EC total* (%)	Change 1995- 2004	Change 1995-2004 (%)	Change in share of EC total '95- '04
<i>Japan</i>	54,299	9.96	91,836	9.22	73,745	7.16	19,446	35.81	-2.80%
<i>South- Korea</i>	10,925	2	26,697	2.68	30,251	2.94	19,326	176.9	0.94%
<i>China</i>	26,343	4.83	74,369	7.47	126,912	12.33	100,569	381.77	7.50%
<i>ASEAN</i>	34,670	6.36	75,197	7.55	69,098	6.71	34,428	99.3	0.35%
<i>Total Asian ASEM</i>	126,237	23.15	268,099	26.93	300,006	29.15	173,769	137.65	6.00% <sup>29</sup>

<sup>29</sup> Sources: based on calculations using figures from European Commission 2002a for 1996 and DG Trade statistics for 2000 and 2004. \*Excluding intra-EC trade



## *Institutions, Policy and Policy-Making*

The previous section provided suggestions that material interests observable in trade were a strong influence in the multilateral evolution of cooperation between the EC and East Asia. Despite the significance of material interests in trade, the ASEM process has only cooled down to a point of indifference, not defection by an EC which was losing out on material interests in its multilateral participation in ASEM. The EC's apparent desire to continue participation in the multilateral fora suggests that ASEM holds more than material interest for the EC. To this end, this section continues with examinations of ASEM's institutions, policy-making, and dialogue intensification to observe how in addition to material interest, institutional and ideational factors may be important influences in the evolution of EC-East Asia multilateral cooperation.

The European Commission lists being a dialogue facilitator, a policy-making laboratory, and managing growing Europe-Asia relations as the main achievements of ASEM. These are divided into the political field, the economic and financial field, and the cultural and intellectual pillars (CEC 2005). Despite these aims, ASEM has been described as "not institutionalised, yet at the same time formalised and even bureaucratic" (Helsinki 2006). Despite this evaluation against ASEM's institutionalisation, one would still argue that ASEM's aim for comprehensiveness, the system for formal contact it has created, and its institutional structure points towards a very strong degree of institutional density which has resulted in the intensification of dialogue and facilitation of policy-making between the European and Asian partners. This section explores ASEM's process of institutionalisation in greater detail and observes how ASEM as an institution may, or may not have affected, accentuated or constrained the degree of either material interests or ideational values placed within the relationship.

## ASEM's Process of Institutionalisation

ASEM is the only existing formalised institution to maintain a regional exclusive multilateral relationship between EC and Asia. At first sight, it appears to be a suitable solution, due to its nature of informality which complements the Asian preference for a looser institutional relationship (Dent 1997:163). It was designed to be based on informality, multidimensionality, equality and evolution, and to deal with political, economic, cultural and security topics. The main pillars of the relations were the political, economic and financial, and culture and technical cooperation (Hwee 2003:229). The Commission expected that the ASEM's interregional framework of relations was to be mutually compatible at the bilateral level. While was not certain how this would work, analysts were waiting for ASEM to be further developed to weigh if it provided a more suitable approach than bilateral channels in dealing with certain issues (Dent 1999:31). This may have been early signs of the hope that ASEM would become what Dent describes as a multilateral utility (2004). This would have allowed ASEM as a forum for multilateral deference whereby problematic issues at the bilateral level would be put forward to ASEM at the multilateral level for debate and action (Dent 2004).

An important consequence of its informality was that each ASEM usually did not have a fixed official agenda, and each representative was allowed to bring their agenda to the table as long as it was not previously specified as a taboo topic (Park 2004:350, CEC 2000b). Even as early as the run-up to the inaugural Bangkok summit, it was clear that the objectives and agendas were different between the Europeans and the Asians, quite possibly due to the lack of common values and cultural differences (The Asia-Europe Summits 1996, Hwee 2004:21). The EC preferred a focus on political and social issues while Asian members preferred a focus on economic issues such as the expansion of trade and investments. Even when their agendas were the same, there were differences in the details. On the WTO, the EC wanted further support for negotiations in information technology and telecommunications, financial services, and promotion of multilateral investments. The Asian side preferred



discussion on issues of protectionism, anti-dumping measures, and the possibility of "open regionalism" (Hwee 2002:2-3).

On the other hand, the London ASEM Summit could also be viewed as an extension of the institutionalisation process which began at the Bangkok ASEM Summit. It adopted long-term plans for cooperation through an Asia-Europe Cooperation Framework and created an Asia-Europe Vision Group. This scheduled a lengthy list of meetings which institutionalised an ongoing dialogue, a necessary precondition for greater cooperation (Holland 2002:77). These were made at the level of Foreign Ministries, two representatives from ASEM and two from the EC (the Presidency and the Commission), and through senior officials meetings where issues of foreign affairs, trade, investment, and finance are discussed. It was hoped that regular bureaucratic contact would help to foster ties and it has even been argued that due to this building of dialogue, the East Asian crisis did not diminish ASEM's importance (Thiel 2000: 89). It has, however, been difficult to hope for personal political relationships at the elite level, because leaderships are constantly facing changes. In ASEM I to ASEM III, spanning 1996-2000, there were major changes in the political elite level in the highly important EC member states of UK, France and Germany. This has made the ASEM aim of building confidence through personal political relationships virtually impossible (Holland 2002:77).

At ASEM III, it appeared that there was some consensus that ASEM had to evolve into a more substantive body. The leaders from both continents at the summit agreed to discuss just one or two topic at future meetings, rather than to continue lacking in focus as in the past summits. Observers indicated that this agreement would help ASEM to develop from a "ceremonial gathering of leaders" into a "consultative body dealing with bilateral pending issues" (Shin 2000). A diplomatic observer also indicated that the AECF helped to produce a blueprint for the ASEM process which helped to lay the groundwork for closer cooperation between the two continents (Shin 2000).

Despite the enthusiastic call for increased cooperation, tangible agreements were lacking in even the highly acclaimed AECF. Much of the document details continual dialogue between the two continents, a process

which had already been established since ASEM I (Dent 1997:163). Its nature was also extremely broad and the three established pillars of economics, politics, and culture were proving to become difficult. Sweeping improvements in all imaginable areas were proposed (Dent 1997:163). Meanwhile, the key priority continued to be a focus on issues of common interest through step-by-step consensus building and increasing mutual awareness and understanding between partners. In addition there appeared to be a mismatch in issues which the two partners wished to discuss (Hwee 2003). While the Commission seemed to prefer increased discussion on the political dialogue, the Asian members of ASEM wanted to focus on the economic and cultural pillars of ASEM. A more optimistic view of this is that ASEM had now opened new "channels through which bargaining takes place and leverage can be exerted" (Smith 1998:312).

Krenzler argued that the ASEM IV had "reached a certain level of maturity" due to the fact that it is based on reciprocity and even more contentious issues, with no guaranteed consensus, could be discussed (2002: 10). He also argued that ASEM could play an important role as a catalyst for action in other forums, such as the Doha Development Agenda. At some levels, this could hold true, although the Copenhagen Summit continued to display signs of forum fatigue (Reiterer 2000). While, as Krenzler argued, ASEM is a valuable instrument for formalising structures of regional economic integration in Asia, it is apparent that the forum, only in its fourth summit, still requires more time to evolve into a truly structured framework for cooperation which could yield tangible results (2002:10). By this time, the "forum fatigue" the Commission had feared appeared to already be present in the ASEM cooperation process (ASEM Chairman's Statement 2000).

### Evaluating ASEM Institutionalisation

There are three sets of rationales to evaluate ASEM institutionalisation and to observe how institutions affect material and ideational influences within the multilateral process. It is argued that each of these rationales has its own weight of material, ideational, and institutional preferences. The first rationale,



demonstrating how institutions can be responsible for sustaining ideas, argues that the EC prefers to institutionalise its relationships in the form of multilateralism in order to mirror its own institutions, ideas and policy-making procedures in the EC's external relations. The second rationale is strongly material and proposes that the Asian ASEM side's pragmatism and strong desire to increase trade with the EC has had a strong influence in increasing dialogue side of ASEM, but also in diluting its institutional evolution through their insistence on informality and non-binding rules. The final rationale for the form of institutionalisation embodies an equal mix of material, ideational, and institutional influences. It argues that the form ASEM has taken on has been strongly affected by the evolution and diversification of interests of the EC and East Asia occurring over the changes in the global political economy and that ASEM has not been able to optimise its institutions and processes because of these reasons.

The first rationale for the form of institutionalisation ASEM has taken on is that the EC, as a trading state, often prefers stability established through institutions, regulations, and rules, both internally and externally (Smith 2004). In this vein, although ASEM is a joint venture between the Europeans and the Asian member states, its institutional form mirrors that of the EC's own institutional format, although clearly diluted. International arrangements such as ASEM are known not only to give a general framework to the relationship, but often provide grounds for indirect influence on the members (Aggarwal 2000: 174-175). Gilson, for example, argues that the ASEM framework has been heavily dependent on terms used in fora such as the WTO, APEC, and the triadic global economy (2004: 191). These are norms, principles and codes of conducts which the EC favours and the mirroring of its own deeply institutionalized framework to ASEM is a way of transferring its own norms and preferences to its East Asian counterparts. If this first rationale takes

The ASEM structure certainly cannot be accused of being anything less than comprehensive. At the very top lies the summit and the ultimate decision-making level where the heads of state and government as well as the President of the European Commission meet every two years (CEC 2005). The Summits

are a process which is supported by a more frequent set of meetings held by the Foreign Ministers, the Finance Ministers, and the Economic Ministers, respectively. These ministerial meetings, normally held once a year (although current plans might decrease the frequency to once every two years<sup>30</sup>), are supported by a meeting of senior officials from the respective ministries. The senior officials meeting (SOM, SOMTI, and FINDEPS) are expected to meet at least once a year and current plans target these meetings for twice a year (CEC 2005).

**Table 24: Frequency of ASEM meetings (compiled by author)**

Level	Frequency (years)
Summit	2
FMM	1
FinMM	1
EMM	1
SOM	0.5-1
SomTi	0.5-1
FinDeps	0.5-1
Coordinators (informal)	at least 0.5
ASEP	2

The European Commission plays a permanent role as the European representative in each of these meetings, a status quo which, aided by the prominent role of the minister's senior officials, enhances the bureaucratic nature of ASEM. At the government to the bureaucratic level, the Ministers and the SOM (Senior Official's Meeting) work closely together to set policies for use at the summits. At the government level alone, three Asia Europe Parliamentary (ASEP) meetings have been held (to 2005) although very little publicity had been given to these meetings. The commitment to the ASEP is also in question as the meeting skipped six years from 1996 to 2002 before biennial meetings were reconvened. The next ASEP meeting was not held until Helsinki in May of 2006 (CEC 2006).

Every two years, arguably the most important policy statement in ASEM, the Chairman's statement, is declared. This is intended to provide the future

<sup>30</sup> Recommendations for ASEM working methods – Draft Proposals for FMM 6 (CEC 2005)



direction of ASEM in a very similar fashion to the EC's own summits and often embodies lengthy paragraphs on issues concerning human rights, civil society, and free trade. The main difference between the EC and ASEM's summits is that the EC's summits are most often far more tangible and substantive, reflected in the history-making decisions made at the EC summits (Peterson and Bomberg 1999:6-9) which is not emulated at ASEM. This is hardly surprising, since the EC's decision-making procedures are already considered to be extremely complex (Wallace&Wallace 2005), but the individual treaties at least require a promise to commit from its members. ASEM's Bangkok Declaration does not include such provisions and requirements to commit to any decision (ASEM Declaration1996).

The ASEM process standing on its own is hardly impressive and despite its complex and comprehensive structure, the policy creation mechanism is still far from the standards the EC appears to have set for it. Each of the summits results in a non-binding Chairman's Statement often characterised by vagueness and intangibility (see section 3). Apart from some very boisterous talk of a EC-ASEM free trade area, suggestions which are yet to be seriously discussed, the only tangible result of each of the Summits are "commitments" to further engage in trade, political issues, and social issues.

The ASEM process may however, fulfil some of the EC's desire to multilaterally institutionalise its relationship with East Asia, particularly through ASEM's economic pillar and in the creation and intensification of dialogue. It has developed from "a mere summit to an entity that encompasses a certain structure, generates numerous initiatives, and maintains a certain momentum" (Hwee 2003:28). The multi-layered relationship (Forster 2000), offers several levels of contact which allow for further cooperation to be conducted. The ASEM meetings, as opposed to formal summits, would allow agreements to be forged without the usual lobbying processes at high level meetings. On the other hand, there have been fears, recognised even by the ASEM members and the Commission (Chairman's Statement, 2002, CEC 2002, 2004), of forum fatigue due to the numerous meetings held over the years (see Chapter 6).



The ASEM meetings result in a consultative process (rather than a negotiation process) based on a non-binding approach which uses the pressure of peer groups and political obligation rather than legal obligations (Forster 2000:796). The EC-ASEAN relationship continues to be an important group-to-group level relationship, while bilateral government-to-government contacts continue to be an important aspect of relations (Forster 2000:797). This type of informality may well be the best means of engaging with Asia, a region especially wary of the unfamiliar structure of the EC's institutions and governance system.

Apart from the EC preferring stability built by institutions, there is also a strong argument indicating that ASEM has been established as an European response to APEC and the trend towards regionalism in general (Lim 2001: 91, Rüland 2002:2). Theoretically, Rüland proposes that this should lead to the ability for institution-building which allows agenda-setting, rationalizing, and identity-building (2002:2-3), all of which are significant for the EC's preference in exporting its own norms, principles and codes of conduct. This is reflected very strongly in the manner in which a more deepened and binding structure appears to be the direction the EC, in particular, wants ASEM to take on.

As such, analysis of the ASEM process may not be entirely straightforward. It is by no means a conventional regional grouping in that it is relatively informal and does not enter into legally binding agreements. Its main use is the nature in which it encourages leaders from ASEM member states to regularly engage in active dialogue as well as draft plans, however vague, for future cooperation. Under these terms, the ASEM cooperation process may include some indication of ideational influences in its policy-making process. The ASEM summits, as well as the smaller Ministerial meetings, represent Axelrod's "cluster of individuals basing cooperation on reciprocity" which have helped to initiate cooperation (Axelrod 1984:21). The regular meetings have resulted in sustained cooperation, whereby there has been clarity of behaviour, multilateral negotiations have become more orderly, and there has been an increase in the symmetry and quality of information governments received. While ASEM has yet to become an institution with deepened substance, it already has encouraged



international agreements and decentralised enforcement of agreements between two parties that are not always necessarily in harmony.

The value of a framework of continual and regular meeting between top officials in foreign policy, trade, and economics may also have been underestimated by analysts. Trade figures clearly indicate a rise in trade interaction between the EC and Asia ASEM. The ASEM Summits on their own offer little in way of formal, legally binding agreements, but the economic engagement between the two regions saw a clear rise from 1995 onwards. Apart from awareness between the two regions, it has also raised Asia ASEM's awareness about their own respective groupings. Negotiations on an ASEAN Free Trade Agreement with China began in 2004 and promise to create the largest free trade area in the world. Japan has similar concluded its Free Trade Agreement with Singapore and is continually observing other possibilities for bilateral or multilateral free trade agreements in the region.

Despite the arguments provided in the first institutional rationale and some very positive indications that ASEM's institutionalisation may help the EC's proliferation of its ideas, ASEM's institution building has been described more as "shallow institutionalization" and bound by only "soft law" (Kahler 2000, Abbot&Snidal 2000). The second institutional rationale, firmly backed by the Asian ASEM members and strongly reflected in the final ASEM organizational and principle structure, is the very pragmatic and material desire to increase dialogue for the purpose of increased trade and investment. The requirements for informality, multidimensionality, equal partnership, and a high level focus (CEC 2000) reflect very "Asian" social constructs and appear to be an obstacle to deepened institutionalization. Following this rationale, the ASEM institutional structure should mainly follow the desire to open a channel of regular dialogue and promotion of greater understanding between regions (Hwee 2002: 5), rather than any form of binding, deepened institutionalisation. Similarly, Ofken notes that the instrumental role of Asian countries in creating ASEM was to influence the working methods and to make it informal and based on mutual understanding rather than on agendas and procedures (2001:12).



Informality may have been guilty of breeding further incoherence in the policy-making of ASEM because each ASEM summit lacks a fixed agenda. The non-binding nature also means that coherent policies are simply impossible to adopt because the dialogue at each individual summit usually requires further development on a bilateral level. The fact that commitment is not required, while allowing for a high level of flexibility, means that agreements adopted at the summits are not universally applied to each of the ASEM member states.

It has been impossible for members of ASEM to meet the initial expectations set out in 1996 of becoming an important multilateral force. The expectations have been extremely high due to the fact that the grouping includes the entire EC, Japan, Korea, and China as well as some very dynamic economies in ASEAN. ASEM's largest capabilities-expectation gap appears to be linked to the issue of policy coherence in that the cooperation process has aimed for extremely ambitious policies in economics, politics, and social issues without the proper enforcement mechanisms. The problem lies with the very foundations of both the EC and the Asian side of ASEM. The EC is known to be able to act collectively most efficiently when dealing in external commercial policy. The EC's continued failure to speak with one voice through a coherent CFSP has hindered its progress in conducting external relations, not least notably when it embarrassingly failed to adopt a common position on North Korea during ASEM III. The EC's fragmented CFSP means that its impact on Asia through ASEM has been limited. Although the Commission is capable of presenting a single EC voice on matters concerning commercial relations, its influence has been significantly hindered by the enlarged trade deficit after the Asian economic crisis. Similarly, its attempts to place conditionality into its relationship with Asia have faced a tough resistance by some very strong and influential voices such as China and Malaysia.

This has been further hampered by ASEAN+3's almost complete refusal to discuss sensitive political issues, denying the EC a coveted position in becoming a major actor in the region. Both the European and Asian ASEM members have portrayed evidence that despite any kind of institutionalisation, an issue of lack of commitment continues to plague ASEM as an institution. Since



ASEM I, human rights has constantly been a European concern whereas Asian participants have preferred an exclusive focus on trade (Holland 2002: 68). At ASEM II, Europe informally raised the issues of human rights, labour practices, arms control and non-proliferation issues. It received little cooperation from countries such as Indonesia, China, and Myanmar, on the issues of East Timor and internal affairs, respectively (Holland 2002: 69-70). At ASEM III, the EC embarrassed itself by not being able to take a common response to the question of establishing diplomatic relations with North Korea, despite the "Declaration for Peace" announced in Seoul. The Copenhagen Summit yielded little beyond issues of economic cooperation, as the Council of Minister was only able to express its dissatisfaction with the slow progress of democratic restoration in Burma, but little else (Krenzler 2002:12).

While the Commission has been actively engaged in enhancing relationships with Asia, both through bilateral and multilateral ties, and showing an obvious policy presence in Asia, policy coherence is not as apparent. The 2003 "A new partnership with Southeast Asia" Commission Communication makes a fair representative analysis of the ASEM relationship so far and could be an indicator on the usefulness of the ASEM process (CEC 2003). "Thirty years of official relations between Europe and the ASEAN have improved mutual awareness, but they have so far failed to realise the true potential of this relations. Today, there is a widespread perception in both Europe and Southeast Asia that the coherence, impact, and political visibility of our relations has not matched the ambitions of the long-established partnership," the communication states (CEC 2003). It appears that while both the EC and the Asian ASEM members view each other as important trading partners, the EC appears to be dictating less of the events, and their Asian ASEM partners appear to be benefiting more from the relationship.

This may prove to be a challenge for the future of ASEM and the evolution of cooperation as the EC may be perceived as going into a retreat. One of the reasons the relationship with Asia has been so late in forthcoming, and has so far appeared incoherent and lax may possibly be attributed to the general lack of active interest on the side of European businesses towards Asia. Although



European corporation's commitment to Asia is becoming more real than rhetorical, the problems of poor knowledge about Asia exist. Top personnel of European corporations regard positions in East Asia as inferior, resulting in less than ideal personnel being posted in the area (Lehman 1998: 81).

Even during Asia's economic boom, Dent noted how European businesses had to be more proactive in their approach towards Asia, and to create network links through Foreign Direct Investment and alliance-making (1997). At this same period, the insufficiency of European direct investment in the region has long been considered the biggest weakness of European business in East Asia, where American investment is usually about twice as high (Lehman 1998:83). Clearly, Asia deserves a much higher profile among European corporations than has been given, but the Asian economic crisis may have become another dampener in European business interest towards Asia. As long as European businesses continue to lack active material interest in the region, chances are that the same loose form of trade and investment relationship will continue between EC and Asia. In other words, material interests also appear to play a role in buttressing institutions.

Asia's diversity and different levels of development obligates ASEM as a whole to resort to informality and flexibility. This, in itself, presents a capability limitation for the institution. Firstly, as previously mentioned, Asia's diversity prevents it from speaking with a single voice. Secondly, the level of diversity means that Asians must resort to Asian values in order to inject further informality and flexibility. Given the differences in culture, levels of development, and governing systems, ASEM's Asian side seems to have their hands tied and prevented from searching a more effective policy direction. This is in sharp contrast to the EC with institutions and policy-making procedures where collective action is more of a possibility (see Chapter 5).

The third rationale for the form of institutionalisation ASEM has taken on is that due to the evolution and diversification of interests of the EC and East Asia occurring over the changes in the global political economy, ASEM has not been able to optimise its institutions and processes. Differently from the first and second rationales where either material interests, ideas, or institutional factors



were dominant, this is an indication of a difficult mix of unfulfilled material interest, ideas, and incomplete institutionalisation in this demonstration of the EC-East Asian multilateral evolution of cooperation. In 1994, Asia accounted for 23.2 percent of the Union's total external trade, and this was a trend which was expected to continually rise (CEC 1996). When the East Asian economic crisis broke out, numerous lucrative infrastructure projects in East Asia were postponed, making several European businesses lose out. In order for an economic recovery to take place, the United States and the European Union became the primary target for increased exports (Dent 1999, also see Chapter 4). The Asian economic crisis was followed by the EC's own process of enlargement, the growth of global terrorism, a general trend towards increased global multilateralism, and the clear rise in China's economic might – all of which had a strong effect on ASEM's institutional development. This was due to the manner in which the issues blunted the EC's interest in a number of ASEM Asian members (such as ASEAN), diverted interests, or influenced a European strategic shift from multilateralism towards bilateralism.

The Asian partners in ASEM could learn a lot from the EC's evolving cooperation process with the ACP, which has seen a gradual phasing out in cooperation, not unlike in ASEM. Years of ACP failure to strengthen its economy has gradually resulted in an increasingly uninterested EC. Because the European industry is now less dependent on a regular supply of industrial raw material (Grilli 1993:40) and there has been no improvement in the balance of EC-ACP trade (Holland 2002: 400), it appears that the EC member states are attempting to reform the relationship so that there is increased trade efficiency and an increase in reciprocity, free trade, as well as partnership status. Notably, apart from an attempt at increased reciprocity, the EC has also placed a high level of conditionality into the relationship, as is witnessed by the latest Cotonou agreement, which attaches political and social conditionality to the entire relationship.

The EC's own internal institutional changes have also been important to its commitment to ASEM institutionalisation, and possibly both responsible for and an indicator of the EC's decreased interest in ASEM. The EC's 2004 round



of enlargement is unprecedented, and is most likely to stimulate a number of evolutions concerning the structure of the EC institutions, its policies, and future enlargement efforts. There has been overwhelming evidence that widening of the EC often leads to its deepening as well (Wallace&Wallace 2005). Adding ten member states to the existing fifteen not only has the effect of drastically increasing the total EC population, but the new acceding countries are also among the least developed in the enlarged EC. This brings in critical questions about how key policies such as the Common Agricultural Policy and Structural Funds might be reformed to accommodate enlargement (Brenton 2002). It also raises issues on how enlargement might force increased efforts for institutional reform and decision-making mechanisms (Weise 2002). These suggested reforms are bound to have an effect on the EC's external relations and commercial policies.

The total cost of enlargement to the present members of the EC is minimal, since the bargains at Copenhagen was mainly the shifting of money from one part of the budget to another (Brenton 2002). While the total costs of enlargement are small, it is becoming increasingly obvious that the enlarged Union will require new policies and reformed institutions in its new constitution (Weise 2002).

This attention towards enlargement, and the eventual reform of both policies and institutions, is bound to put a heavy toll on the cooperation process between the European and Asian members of ASEM, particularly in terms of institutional capacity. A high degree of uncertainty looms large in the ASEM cooperation process after the pending addition of the CEEC member-states to the EC's profile. The CEEC economies have created increased heterogeneity in the EC (Zysman&Schwartz 1998), and in several respects, are similar to the developing countries of ASEAN, a factor which will seriously complicate commercial relations within ASEM. The dynamics of policy-making within the EC, as well as the dimensions of external relations, are also bound to change after enlargement takes place. Several of the acceding countries, with economies and political significance far smaller than the current key member states, hold a significant portion of the weighted vote (Weise et al 2001). The



acceding countries will also be allowed to participate, with full rights, in the intergovernmental conference on the reform of the EC treaties scheduled to begin in autumn 2003. The new treaties will not be signed until after their accession in May 2004. If anything, the new, more heterogeneous enlarged EC, means that the process of negotiations in the 2003 IGC should be even more complicated than ever due to the changed dynamics of the weighted vote (Weise et al 2001). This is an EC institutional development which puts a heavy toll on the EC's external relations and with ASEM, since it affects the EC's capacity for cooperation.

Even at present, there are signs that the Asian cooperation with the EC might evolve in a similar direction with the ACP and that material interests are strongly responsible. Although there exists signs of EC uncertainty towards the ASEM cooperation process, ASEM is collectively more diverse than its ACP counterparts, with different levels of development. Within ASEM, it appears that the EC has been more firmly focused on developing its relationship with China, while possibly phasing out cooperation with the ASEAN countries. This is most evident in EC FDI received by ASEAN which has steadily declined by 3.3% of aggregate FDI in 1998 to 2.6% in 1999, 1.6% in 2000, and 1.8% in 2001 (CEC 2003a:9). This has taken place against a steady increase of EC FDI in China. The Commission urges that China's growing importance should be considered an opportunity, rather than a threat, and that Southeast Asia should attempt to benefit from the new division of labour in East Asia (CEC 2003a:9).

The terrorist attacks of September 11 2001 acted as a further diversion for the EC from the ASEM process. To make issues particularly pertinent to the East Asian region, the Bali attacks occurred shortly after the New York attacks. The ASEM IV Summit became mainly dominated by a discussion of terrorism (Chairman's statement 2002, Krenzler 2002:5). Few other objectives or agreements were reached in that particular summit, although a far from groundbreaking agreement was made to ensure that the members would work together to prepare for the WTO Cancun Ministerial meetings as well as to take a closer examination on how to comply more effectively and actively with other multilateral organisations (Gilson 2004: 196). This may have marked an attempt



to move ASEM's institutions closer to global multilateralism, but observers note that the efforts have been futile (see Chapter 6, Kwa 2002: 26, Economist 20 Sep 2003: 26-28).

While this section has seen some material interest and institutional difficulties stemming from the EC's latest round of enlargements and diversification of interest, it is also important to note how ideas and material interest may have become entangled in this third institutional rationale. Isolating the ASEAN partners of ASEM, and separately viewing the 2003 "A New Partnership with South East Asia" Commission Communication illustrates how issues of political conditionality have been clearly placed into the relationship. The conclusion states that the framework for bilateral agreements need to go beyond development cooperation and expand to political and economic areas. It also argues that "matters of trade and investment are inherently linked to issues of good governance, democracy, respect for human rights, reduction of poverty and the rule of law" (CEC 2003a:26). Although the document states that the mentioned issues are to be analysed on a flexible basis, the communication deals substantially in an area rarely mentioned before, and which has been frowned on by Southeast Asian governments. The communication also makes a suggestion for a more effective use of the 1980 EC-ASEAN regional agreement, which continues to see biannual meetings of EC-ASEAN Foreign Ministers and EC-ASEAN Economic Ministers, as well as various joint cooperation committees. This urging by the Commission is taking place despite the ASEM regional cooperation framework, which is a sign that the EC might currently find it more appealing to deal with the group of Japan, Korea, and China, separately from the even more diverse ASEAN.

This third institutional rationale, points towards a failure of ASEM in all three sides equally with material interests, ideas, and institutions not being successfully pursued. While it was hoped that the ASEM cooperation structure would help to increase the EC's bargaining power vis a vis the United States in the WTO (Lee et al. 2002), the talks in Cancun and the rise of the G-22 is ample evidence that the ASEM framework may have failed in creating a functioning dialogue between Asia and Europe. Notably, three members of ASEM including



China, Thailand and the Philippines are in the G-22, which have been formed to make sure subsidies and trade barriers on farm goods are eliminated. While the G-22 bargained at the Cancun talks for the elimination of agricultural subsidies, the EC instead insisted on discussion on investment, competition policy, government purchases, and customs clearance (Maul and Okfen 2003:245). Japan also held on to its own agricultural protection program, although there are no signs that its policies and negotiating tactics are congruent to the EC's. The fragmentation between members of ASEM at the Cancun trade talks painfully illustrated how the ASEM cooperation process had failed to build a consultative process for the WTO's development agenda (Kwa 2002:26).

### *Rhetorical Analysis*

The ASEM forum is mainly aimed at informal discussion and any resulting documents are ultimately non-binding. Given this situation, rhetoric found within the various statements and declarations is important to the analysis of the material, ideational and institutional influences embedded within the institutional framework. Among the largest sources of information for the ASEM dialogue are a collection of 40 chairman statements from various levels of the ASEM institutional framework. This includes among others the Summit statements as well as one from each of the ministerial meetings and senior official meetings convened during the past decade. These statements, declarations, and action plans are the backbone on which ASEM has been built on.

It is important for these statements be analysed in order to develop an understanding of the level of cooperation taking place within ASEM as well as how to see how much importance the EC appears to place on material, ideational or institutional influences. Similar to the analysis of bilateral relationship where the Commission's key strategic documents proved an excellent indicator of the EC's commitment to East Asia, the EC commitment to ASEM can also be determined through the evolving undertones of the ASEM documents. This commitment will also be underlined by the EC's desire for gaining material interest, proliferation of ideas, and mirroring of its own



institutions. Unlike the bilateral relationship strategic documents, the ASEM documents will often not signify any binding commitment or intention to strike truly tangible steps in the relationship. On the other hand, it will serve as a better reflection of the EC's perspective on the direction the relationship is taking. Finally, an objective analysis of these important documents will be considered an important examination of the degree of ideas, institutional elements, or material interest embedded within the ASEM process.

The 1994 strategy marked the beginning of the EC's multilateral strategy towards Asia and reflected a balance between material interest, ideas, as well as institutional components. It could be argued that this is more of a reaction to the escalating significance of the Asian economy, rather than a pre-emptive effort in establishing a strong relationship between the two regions (Murray forthcoming). It was, however, important in the sense that it introduced a more positive and proactive approach to Asia and the growing significance of the region (Hwee 2006: 3). The 1994 strategy was the first document to deal with Asia as a region, and also appeared to present an understanding of both the concept of Asia and a broader sense of engagement with the region as a whole (Wiessala 2002). It also was significant because it specifically mentioned the need for multilateral cooperation between the EC and Asia, although suggestions were initially that they should be conducted within the context of existing multilateral forums such as GATT and the UN (CEC 1994:Section II). Perhaps the most important aspect of this document with respect to multilateral issues is to raise the significance of trade liberalization within the multilateral system as well as placing an emphasis on the EC's need to place great emphasis on marketing opening for trade in goods and services. The 1994 Asia Strategy makes a note of the need to "integrate into the open, market-based world trading system" a number of Asian countries, including China, which was moving from state controls to market-orientated economies (CEC 1994: Section V).

Strong mutual respect was the general atmosphere during the setting up of the ASEM forum, a feeling reinforced by the "Regarding the Asia-Europe Meeting (ASEM) to be held in Bangkok on 1-2 March 1996" Commission Communication (1996a). The European Commission acknowledged the constant



bilateral contact between the EC and the Asian ASEM members, while emphasising that "the rapid and sustained growth of the Asian economies and their increased weight in world trade and investment flows" made it necessary for the EC to strengthen this economic relationship in its political dialogue (CEC 1996a:2). This 1996 Communication also explained that ASEM was necessary as a force to respond to the establishment of APEC in 1993 (1996a:2).

At this early stage, some tension was already being felt in the ASEM forums about the disparity in the EC's desire to add ideas to the multilateral process against the Asian's wish to keep it out and maintain focus on material interest. Indifference to political themes by the East Asian side, something which has been an annoyance to the EC for the past decade, was always an issue and it is evident in this Communication as well. It was agreed that the discussion be informal and some sensitive points such as human rights could be discussed as long as it did not "compromise the atmosphere of the meeting". To add to this "the ten countries do not all attach the same importance to the political themes that were included on the agenda on the request of the European Union" (CEC 1996a:3). Nevertheless, the conclusive section of the Communication indicated again that the need to maintain and strengthen the political dialogue was actually more important than any urgent and important themes which can be treated within an economic dialogue (1996a:10). The Communication also stressed how the Asian members should "reinforce the political weight" of Asia on the international political scene and "contribute to a world of multipolarity". This would be achieved by "enhancing Euro-Asia political dialogue", investigation into possible areas of international cooperation, and promotion of peace and stability (CEC 1996a:5). The EC's political position was clearly a result of not only the Commission's insistence but the Council's as well, as indicated in a Council Report to the European Council in Madrid, where the Presidency Conclusions added up to similar demands (CEC 1996a).

Discussion on trade and economic issues was simpler, since the Asians, not surprisingly, were in favour of promotion of an open multilateral trade system and open regionalism (CEC 1996a:3, 6). Despite this multilateral talk, it was expected since ASEM's conception that "existing bilateral channels would be



used for the implementation of the results of ASEM" while the forum itself would just be "seen as a means to politically invigorate economic ties" (CEC 1996a:6). This view was stressed over again by indicating that ASEM would intensify dialogue rather than displace existing dialogue at both bilateral and subregional level (CEC 1996a:11). This may have aided the non-binding and informal nature of ASEM but would have limited the project's ambition.

The EC's desire to enhance the political dialogue continued well into the ASEM I summit although the wording of the Chairman's statement in March 1996 was far less straightforward than the previous Commission Communication, naturally since it was a negotiated document. In paragraph 5 of the section entitled "Fostering Political Dialogue", there was only an understanding that the dialogue be based upon "mutual respect, equality, promotion of fundamental rights and in accordance with the rules of international law and obligations, non-intervention, whether direct or indirect in each other's internal affairs (The Asia-Europe Summits 1996). Very importantly, the Asian ASEM members clearly had a say in the talks and issues such as non-intervention, mutual respect, and equality may have reflected more of an Asian than a European stance given sensitive issues such as human rights.

As far as economic cooperation was concerned, the diversity of the two regions was actually celebrated in Paragraph 9 of the 1996 ASEM Chairman's Statement. It was acknowledged in this Chairman's statement that Asia's emergence as a large market had stimulated growing demands for consumer goods, capital equipment, financing and infrastructure (The Asia-Europe Summits 1996). Article 12 of this 1996 Chairman's Statement stated an ASEM aim for trade barrier reduction and the need to increase European investments in Asia from the clearly low levels at that stage. Several comments were made about having the ASEM members adhere closely to WTO multilateral rules of trade liberalisation (The Asia-Europe Summits 1996).

The 1998 ASEM 2 Chairman's Statement, despite indicating a good degree of satisfaction in the evolution of the process, clearly indicated a strong concern for the economic situation in Asia. This put ASEM II's focus very strongly on material interest. Article 4 indicated how the leaders "attached high



importance to remedying the financial and economic situation in Asia and reaffirmed their commitment to working together to address this global concern" (The Asia-Europe Summits 1998). Despite the economic crisis, Article 10 emphasised that ASEM cooperation in the economic field was the very basis for a strong partnership between Asia and Europe. Once again, a commitment towards the WTO trade liberalisation rules were reemphasised as a way for to restore the Asian economy (The Asia-Europe Summits 1998). As stated in Chapter 6, ASEM II's Trade and Investment Pledge and the Trust Fund was the sum of Europe's aid to Asian ASEM members at this troubling time and was far from being useful.

Keeping in theme with ASEM II's material interest focus, the section entitled fostering political dialogue was reduced to a single paragraph (9) from four paragraphs in ASEM I and noted the expansion of Asia-Europe dialogues on general security issues. The political issues addressed in the London Chairman's Statement vaguely covered general security issues as well as the situation in Cambodia, the Korean peninsula, Bosnia, and enlargement of the EC. Even more vague was ASEM's "opposition to all forms of racism and xenophobia" and their agreement to contribute to peace, stability and prosperity through cooperation between Asia and Europe (The Asia-Europe Summits 1998)

ASEM III's 2000 Chairman Statement remarked that the "leaders noted with particular satisfaction the clear signs of recovery in the Asian countries" and "acknowledged that ASEM had played a crucial role in bringing Asia and Europe together to work in conjunction to address this crisis" (The Asia-Europe Summits 2000). Credit was given to several of ASEM's initiatives to resolve the Asian economic crisis, including the ASEM Trust Fund and the European Financial Expertise Network which addressed problems in the financial and social sectors. As for reinforcing economic and financial cooperation, the leaders also expressed their satisfaction for the Trade Facilitation Action Plan, the Investment Promotion Action Plan, and endorsed the work programme annexed to the Trade Facilitation Action Plan. As was done in the previous two summits, Article 11 made a lengthy note on the ASEM members' commitment to the WTO (The Asia-Europe Summits 2000). This would have been congruous with the



Commission Working Document "Perspectives and Priorities for the ASEM Process into the new decade" which noted the need to push the WTO agenda in ASEM (CEC 2000b). Nevertheless, this same document warned that although the forum was successful, it was already at a risk of losing momentum if it could not confirm and maintain its clear relevance to public and business interests (CEC 2000b:5).

The wording in ASEM 4 Chairman's Statement in 2002 appeared to move from enhancing the dialogue to justifying ASEM's existence, and appeared to show the EC's strong will and determination to insert ideational components into the process. The political dialogue statement noticeably remarked that since the consultative meeting of ASEM partners in the UN General Assembly was successful, "Leaders agreed that ASEM partners should continue this political dialogue", subsequently agreeing to create an ad hoc informal consultative mechanism to enable ASEM Coordinators and Senior Officials to meet quickly should international events warrant it (The Asia-Europe Summits 2002). In a section entitled "Unity in Diversity", the leaders noted that the ASEM process "merits further development" due to the manner in which it brought together people of various cultures and from different civilizations – something the world needed after September 11 although the wording remains very vague (The Asia-Europe Summits 2002).

In trade, ideas on free trade became a much stronger focus, pointing towards the EC's increased attempts to add its ideas on trade into the ASEM process. Trade and investment, a section which was usually titled more positively was instead worded as "closer economic partnership". In this section, the commitment towards the WTO work programme launched at Doha as well as adherence towards the multilateral trading system's liberal rules were once again noted (The Asia-Europe Summits 2002). More optimistic was the statement that the "Leaders appreciated the progress in increasing mutual understanding and transparency, the overcoming of barriers to trade and investment between the two regions, achieved through the implementation of the Trade Facilitation and Investment Promotion Action Plans during the past two years" (The Asia-Europe Summits 2002). The 2002 Chairman's Statement eventually noted that the



relations between Asia and Europe had become "closer, more extensive, and more important than ever" (The Asia-Europe Summits 2002). The statement ended on a note that ASEM cooperation was committed towards further deepening understanding, expanding common ground and further enhancing cooperation (The Asia-Europe Summits 2002).<sup>31</sup>

ASEM V Chairman's statement in 2004 was exemplary of rhetoric, considering the difficulties faced by the organising committee prior to the Summit due to the issue of accepting Myanmar as a member. It may also have been a reflection of the EC's frustration in their inability to achieve material interest, insert ideas, or build increased institutional capacity in the ASEM process. This made the leaders "warmly" welcoming of 13 countries, including Myanmar, into ASEM rather unexpected. On the issue of political dialogue, leaders acknowledged the need to "reinforce multilateral dialogue and cooperation" as well as the need to "further strengthen ASEM consultation, cooperation and coordination in the fight against terrorism" (The Asia-Europe Summits 2004). A surprisingly wide range of political issues were discussed at Hanoi including numerous global challenges, terrorism, transnational crimes, AIDs and the environment. They resolved to fight these challenges through a "multilateral approach and collective actions through intensive dialogue and close cooperation on the basis of mutual understanding, equality, and mutual benefit (The Asia-Europe Summits 2004).

On the section entitled Closer Economic Partnership in the ASEM V chairman's statement, the leaders declared their determination to bring the economic partnership to "a new stage of comprehensive and forward-looking cooperation" and adopted the Hanoi Declaration on Closer ASEM Economic Partnership. This was nothing more than a declaration to commit themselves to the existing frameworks such as TFAP, IPAP and other forms of economic

---

<sup>31</sup> Isolating the Southeast Asian partners of ASEM, and separately viewing the 2003 "A New Partnership with South East Asia" Commission Communication illustrates how issues of conditionality have been clearly placed into the relationship as well as demonstrates a shift in the mode of cooperation to accommodate the EC's priorities. The conclusion states that the framework for bilateral agreements need to go beyond development cooperation and expand to political and economic areas. It also argues that "matters of trade and investment are inherently linked to issues of good governance, democracy, respect for human rights, reduction of poverty and the rule of law" (CEC 2003:26). This was difficult to discuss or enforce under the ASEM multilateral framework, possibly forcing a shift to a more direct bilateral approach with each of Southeast Asia's different countries.



cooperation. The Hanoi Declaration also included encouragement in further dialogue in finance, trade and investment, and cooperation in other sectors. It also reaffirmed its support for the WTO (The Asia-Europe Summits 2004). These were initiatives which were closely mirrored in the Chairman's Statement and added very little new to the economic partnership between Europe and Asia.



Table 25: Key themes in multilateral strategic documents

	Material	Ideational	Institutional
<b>1994 Commission Asia Strategy</b>	Increase Union's economic presence in Asia, EC desire to pursue market-opening, promote European trade and investment	Promote development, democracy, economic development cooperation and understanding, sustainable development	Continue to strengthen bilateral ties, integrate into open, market-based world trading system, multilateral action in maintaining international peace and security
<b>1996 Regarding ASEM Commission Communication</b>	Noted that trade and economic issues were on the forefront of discussion, since the Asians were in favour of promoting a multilateral trade system and regionalism	Urged not to talk about sensitive points such as human rights	Contribute to a world of multipolarity, existing bilateral channels to implement ASEM results, ASEM meant to intensify dialogue rather than displacing existing dialogue at bilateral and subregional levels
<b>ASEM I Chairman's Statement</b>	Noted that Asia's emergence as a large market stimulated growing demands, aimed for reduced trade barriers,	Open multilateral trade system, non-discriminatory liberalisation	No mention of bilateralism, members urged to follow WTO guidelines
<b>ASEM II Chairman's Statement</b>	Asia asked for help to resolve economic crisis, help was pledged Trade and Investment Pledge and Trust Fund considered as insufficient aid by the Asian ASEM members	Urged trade and investment based on open markets and adherence to international rules, a very vague political statement covering general security issues	Statement indicates that as an informal process ASEM need not be institutionalised, it should stimulate and facilitate progress in other fora, Urged all trading nations to be members of the WTO in order to strengthen the institution,
<b>ASEM III Chairman's Statement</b>	Asian economic recovery noted, promise for greater economic linkages, pledge to intensify TFAP and IPAP	Statement on non-proliferation of Nuclear Weapons, restoring stability to East Timor, first inter-Korean summit welcomed with a separate declaration, commitment to multilateral trade system	Lengthy note on commitment to WTO
<b>ASEM IV Chairman's Statement</b>	Compliment to the Trade Facilitation and Investment Promotion Action Plan, appreciation of progress to overcome barriers to trade and investment	Commitment towards further deepened understanding, expanding common ground, and further enhancing cooperation, fight against terrorism a main topic	Very unenthusiastic ASEM "merits further development", commitment towards WTO work programme launched at DOHA,
<b>ASEM V Chairman's Statement</b>	Reaffirmation of commitment to TFAP and IPAP	Reaffirmed support for WTO, reaffirm need to fight terrorism and other global challenges	Need to reinforce multilateral dialogue and cooperation



## *Multilateral Interregionalism*

### Trends and Trajectories

This preliminary observation of the vertical dimension in the interregional multilateral ASEM process and the global economic environment surrounding it has clearly seen an evolution of specifically multilateral cooperation divided into three distinct stages. Importantly, these stages provide some important insights into the nature of cooperation and answers some questions posed by interregionalism. The trends and trajectories witnessed in the ASEM process provide some important insights into the reasons partners may choose to shift between bilateral and multilateral strategies.

The first stage includes the period leading up to the 1990s when both sides appeared uninterested in developing a multilateral relationship in any sense and any interaction was conducted predominantly at the bilateral level. This is, once again, clear evidence of the priority of states in being key actors in the EC-East Asian partnerships. Key European member states were at best indifferent towards East Asia. At worst, they were distrustful of what was then perceived as Japan's neomercantilist policies. The East Asian states, some suffering from trade barriers, began to build the perception of the EC as a fortress. This created a feeling of mutual distrust which may have resulted in a low level of cooperation by the Europeans and the East Asians.

Before long, the consequences of mutual distrust began to take its toll, particularly on Europe. The lack of a formal, multilateral dialogue with the East Asians meant a gaping hole in the EC's profile as both an economic and political power. During this period, the East Asian economies grew speedily and the European trade deficit against the East Asian economies mirrored this growth. There also appeared to be a cooling enthusiasm in the prevailing bilateral cooperation process between the EC and East Asia (see Chapter 5). This was made more obvious with an increased American presence within the region in



the form of APEC, which the EC was not a part of. Asia similarly lacked the access to EC markets that other groupings, such as the ACP, were enjoying. By this time, a formal multilateral relationship between the EC and East Asia appeared to be long past due.

The second stage started with the EC's 1994 Asia Strategy, which was the beginning of signs that the EC was interested in engaging Asia as a whole, and possibly through multilateral channels. The Asian economy was at a high, and the Bangkok Declaration held several promises of further cooperation between the two regions. Had the dynamics of the international political economy not changed in the very next year, it is perhaps possible to conjecture that cooperation between the European and Asian members of ASEM would have continued fruitfully along the guidelines drawn by the Bangkok Declaration. 1996, and the period leading up to the Bangkok Declaration has undeniably seen the most promising period in the ASEM evolution of cooperation.

The second stage provides some important insights towards interregionalism as well as poses some additional questions. It appears that the EC's strategy was to begin institutionalising the process and to sidetrack the role of states as much as possible through the process. The strategy of 'mirroring' of the EC's own institutions and the use of institutions to create stability (see Chapter 4) was used as actively to draw in the East Asians. While initially successful, it is extremely important to be able to answer the question of why this strategy flourished only in the beginning. Another important question which needs to be answered in the Conclusion is why states were, at first, willing to give up some of their control over the interregional process to institutions.

July 1997 and the arrival of the Asian economic crisis saw a shift in the cooperation scenario and the beginning of the third phase of cooperation evolution. The trade deficit between the EC and Asia, already in Asia's favour, tripled as Asian currencies devalued. Since the establishment of ASEM, trade between the EC and Asia had already increased substantially, although the EC did not view this as particularly helpful due to the increased trade deficit.



The third phase of the evolution of cooperation in the ASEM process highlights several important facts about the entire relationship. First, it shows that ASEM clearly has the potential to succeed as an alternative method to bilateralism and global multilateralism in conducting a multilateral relationship between the two regions. Despite the informality of the process and its non-binding nature, there is clear evidence that trade between the two regions have significantly increased since the establishment of ASEM.

Secondly, the third phase of the multilateral evolution of cooperation in the ASEM process indicates that if both sides of the ASEM equation do not feel that they are equally benefiting from the cooperation process, either the EC or individual East Asian member states of ASEM could refuse to extend its full cooperation. This clearly amounts to the accentuation of hierarchy, or at least an attempt to accentuate hierarchy, whereby the EC tries to take control of the process particularly when smaller states are involved. Once again, the informality of the ASEM process acts as a double-edged sword and this time offers the defecting side an easy excuse to leave the cooperation process. Instead of attempting to renegotiate the terms of treaty, as an institutionalised process would encourage, the Europeans appear to be phasing out cooperation in ASEM in favour of bilateral talks. The inability to advance conditionality in the ASEM process may appear to the Europeans as another deadlock in the relationship, and 2003 "New Partnership with Southeast Asia" communication from the Commission appears to be an alternative means of dealing with the ASEAN members of ASEM. It also offers a way out for the EC, which would be more reluctant in placing conditionality into its relationship with China than it would with ASEAN member states.

Thirdly, suggestions that ASEM might play an important role as a catalyst for action in other international forums and be a valuable instrument for formalising structures of regional economic integration in Asia (Krenzler 2002:10) might be rather unfounded. The 2003 Cancun trade talks indicate that ASEM members are extremely fragmented in their stand towards trade liberalisation, and that the ASEM process has done little in improving communication or



cooperation between Europe and Asia in matters concerning multilateral trade in the WTO (Gilson 2004, Kwa 2002, Maull and Okfen 2003: 245). The implication for multilateral interregionalism is that ASEM may not be an adequate supporting process of international liberalisation efforts, particularly if the partners have not yet reconciled and agreed on their interests.

### The Role of Material Interest, Institutions and Ideas

This chapter has attempted to identify the role of material interest, ideational principles and institutional elements from the key elements of the EC-East Asian multilateral relationship as seen in ASEM which include trade data, institutionalisation and dialogue intensification, and rhetorical elements extractable from the various strategic documents. These key elements have been analysed as objectively as possible and there are some recurring themes which appear to describe the EC-East Asian multilateral relationship very explicitly. They also provide important insights and answers into the questions IPE theory and interregionalism pose. Some of these insights on interregionalism include the continued importance (despite institutionalisation) of the state in developing key interactions, ASEM's ineffectiveness in proliferating trade liberalisation, some evidence of anarchy management through institutions, and the continued struggle between ideas and material interest.

Three issues need to be clearly highlighted as a preliminary conclusion into importance of the trade data as an examination of the material, ideational, and institutional influences within the ASEM framework. The first insight is that although the data clearly indicates that there has been an increase in economic interaction between the EC and Asian ASEM members, the material data alone does not stand as conclusive evidence that the ASEM forum has been a stimulator for this increased interaction. If anything, the material data actually indicates the decreased significance as EC trade partners of certain Asian ASEM members such as Japan and ASEAN. This failure also points to the institutional



inefficiency of ASEM, considering that the multilateral forum was created with the intention of collectively enhancing the relationship between EC and East Asia. Instead, ASEM as an institution has seen increased interaction with only certain member states (like China), while maintaining stagnant relationships with others (Japan and ASEAN).

Secondly, a long history of steadily rising EC deficits might be expected to take its toll on the European commitment to the ASEM forum. As was indicated earlier in Chapter 5, trade deficits are one of the crucial material factors in the volatility of a trade relationship. In this Chapter, it was suggested that ASEM's history did not display volatility as much as it displayed indifference. The EC's indifference is a surprising outcome, considering that the EC could clearly opt for outright defection in the face of reduced material interest, and could point towards institutional and ideational influences which are sustaining the multilateral relationship. If this is indeed the case, trade deficits as witnessed in ASEM and the material interests involved might have been controlled by increasing dialogue led by strengthening institutionalisation, as well as an increase in ideational values. Had material interests been left uncontrolled, one would have expected far more action taken by the EC to control trade deficits. This is an issue which will be further examined in the Conclusion.

Finally, disparities in trade significance between the Asian ASEM members are relevant to this analysis and need to be taken into consideration when analysing reasons to how ASEM has taken the shape that it has. The trade data presented in this suggestion clearly indicate that the relatively reduced significance of Korea and ASEAN has resulted in their decreased economic interaction with the EC. The possibility that the EC ASEM members might consider the ASEM forum, as a uniform method to engage most of East Asia's largest economies, to be a wasted effort needs to be analysed. If the ASEM forum is considered to be lacking in advantageous material results for the EC ASEM members, it is likely that the forum could be abandoned or sidetracked in order for it to be replaced with a bilateral form which could yield more tangible



results. This would eventually be reflected in the EC shifting its strategy to actively deal with each of the Asian members on a bilateral basis.

These three insights provided by trade statistics in the ASEM process suggest that when it comes to multilateral interregionalism, the process of institutionalisation has not worked efficiently enough to curb the importance of material interests within the ASEM process. Literature on interregionalism notes the tension between states and institutions, but the failure of ASEM in enhancing absolute gains through the process of institutionalisation means that states have continued to hold their primary importance in the EC-East Asian partnership. The fact that states are still in pursuit of material interests could broadly explain the failure of the ASEM process as a form of multilateral interregionalism.

The institutional examination of ASEM's institution and history of multilateral evolution has provided an examination of the material and ideational direction of the forum. When material interests are involved, one clearly notes the EC's concern, particularly over the constant increase in the trade deficits it is facing from the Asian ASEM members. Equally important is the diversity of the Asian ASEM members and how this has had an effect on the EC's ability or willingness to continue cooperating with each of the Asian ASEM members. The different rationales for institutional evolution, particularly the conflicting ones from the European side against the Asian ASEM members, may have resulted in an institutionally structure which is at best disappointing for both sides of the partnership.

As a result of the institutional examination, further insights into the nature of multilateral interregional institutionalisation can be developed. Not unlike several multilateral forums, the lack of a requirement to commit, the informality, and the bureaucratisation of the institutions may have served as an institutional stumbling block of an otherwise ideationally successful forum. While the dialogue has led to increased understanding between the ASEM members, the informality means that any set agendas could be ignored. Enforcement and commitment to a cooperation process is particularly important to affirm the relationship's usefulness. The establishment of ASEM clearly increased the amount of trade



conducted between Asia and the EC (although at varying degrees from partner to partner), as well as provided for increased grounds for constant contact. The economic pillar of ASEM is today considered to be by far the most developed and substantive, possibly due to it being the most significant “lowest common denominator between the two regions (Dent 2003:230). Even so, ASEM’s role as an economic stimulus has not been conclusive as the institutional data in this Chapter has pointed out.

In other words, in the development of multilateral interregionalism, institutionalisation on its own is not sufficient for development of cooperation, particularly when states continue to be the key actors in strategy formation. ASEM’s relative informality and lack of enforcement mechanisms mean that both sides are capable of backing out of the cooperation when a player feels that the process is not as beneficial as it used to be. The preferable alternative is for both players to negotiate and work on the relationship, but the process’s flexibility allows for easier defection. Ironically, the assurance of continued contact and the ASEM process’s flexibility ensures ASEM’s survival because when both players are not obliged to follow a set of enforceable rules, the incentives to defect are not as strong. On the other hand, the frustration over the lack of commitment, the long drawn decision-making process, and eventually, forum fatigue from the numerous dialogues, may have led the members to treat the forum with less significance and an increased sense of indifference. This is apparent in the EC’s altered focus in attention, particularly evidenced after the EC’s latest round of engagements which may have drawn its attention away from further engagement with ASEM.



**Table 26: Insights Provided by EC-East Asian Multilateral Relationship**

	Cooperation Questions posed by IPE and Interregionalism	EC-East Asia Multilateral Partnership
<b>Nature of Actor</b>	State-led or led by non-state actors?	Institutional by nature, with very strong role played by states. Institutionalisation process generally inefficient and secondary in importance to states preferences.
<b>Nature of the Global Political Economy</b>	Small countries linking up to large countries (hierarchy), emphasis on shaping global governance (managing anarchy?)	Evidence of management of anarchy through institutions, evidence of hierarchy as small states of Southeast Asia link up to large countries
<b>Nature of Actors' Interaction within the GPE</b>	Trade liberalisation and how to make regionalism and global liberalisation institutions coexist. Gains between two partners or absolute global gains?	ASEM as a multilateral interregional entity has been ineffective in proliferating trade liberalisation. Evidence that efforts are being overshadowed by bilateral efforts for gains between two partners. Relative gains still more important.
<b>Ideas versus Structures</b>	Material interest (as reflected in security and trade issues) or ideas?	Designed to be based on ideas, but lack of agreement between the Europeans and the Asians on whether material interest of ideas matter more. Constant dialogue formed through institutionalisation.

Unlike in the bilateral case, the rhetoric analysis from the ASEM documents appears to offer more insight into the ideational side of the multilateral interregional relationship than the material. Yet, despite the EC's preference to make ASEM a multilateral forum more based on ideas, it has come up against the preference for material interests on the part of its East Asian partners. The trade statistics and institutional observations offered in this chapter have indicated a number of problems within the relationship including a serious case of trade balance problems, a gradually increasing feeling of indifference, and a diversification of interest from the forum. This has not been reflected within the ASEM documents which appear to ignore the issue of forum fatigue and the clearly decreased momentum of the process.

The issues of increased dialogue, commitment towards a peaceful global community, and adherence towards trade liberalisation through multilateralism,



however, are recurring themes which point towards a clear level of ideational intensity within the relationship. This is clearly an European attempt to insert increased ideas, values, and codes of conduct into the relationship and as long as dialogue remains between the partners, it is probable that ASEM will continue to hold some value for the EC. In this case, ideational factors may be the predominant element in sustaining the ASEM process despite the EC losing out on material interests.

One might also argue that this set of rhetoric is simply what one could expect from an informal and non-binding forum whose intention was merely to support the bilateral process. This has been the set goal right from the beginning and arguably, there is simply no need for ASEM's critics to be so disappointed that the process has not resulted in more tangible efforts. If this argument about ASEM being merely a rhetorical forum to support tangible efforts in the bilateral process, then one would expect bilateral ties to be tightened as a consequence of the dialogue made in ASEM. This is an issue which needs to be further examined in the next Chapter.

This set of insights into interregionalism offered by the examination of the ASEM multilateral interregional process enhances our understanding of cooperation by urging us to look at material interests, institutions, and ideas as combined factors in the pursuit of cooperation. Despite our expectation that a multilateral interregional process would be dominated by the process of institutionalisation and ideas, it appears that successful multilateral interregionalism also requires an agreement among members that they are in common pursuit of institutionalisation and ideas. In the ASEM process, the conflict between the EC members' desire to promote ideas and the East Asian members' overwhelming preference for material considerations has possibly led to a failing multilateral interregional forum. This has not been helped by ASEM's loose institutionalisation, which has allowed states to continue as key actors in pursuit of their own vested interests.

While these insights into cooperation in multilateral interregionalism are useful on their own, this thesis continues to further analyse the questions and



propositions by examining the bilateral and multilateral combined in the Conclusion. As is evident at several stages in this thesis, the bilateral and multilateral interregionalism process appears to be interlinked with gradual transitions between each other. The Conclusion analyses this phenomenon in detail as well as revisits the key questions and propositions advanced in chapters 2 and 3.



## **Chapter 7**

### **Conclusion**

The main aim for this thesis has been to discover the nature of interregional cooperation, why actors cooperate, under which conditions, in which forms, and how cooperation evolves. In order to understand cooperation and the various factors which influence cooperation, traditional IPE theories were combined with Axelrod's research on the evolution of cooperation as a basis for understanding cooperation within IPE. A set of questions and propositions based on the balance between material interest, institutions and ideas (on the one hand) and bilateralism and multilateralism (on the other hand) was subsequently set out for further empirical exploration. An additional series of questions related to the same theoretical basis was also generated by literature on interregionalism (see Chapter 3). Consequently, Chapter 4 examined the EC's role both as a global actor and as an active promoter of interregionalism and argued for the suitability of exploring the EC-East Asian interregional partnership as a foundation to gain further insight into how actors cooperate within an interregional setting. Chapters 5 and 6 analysed the EC-East Asian partnership both from the bilateral and multilateral perspectives and was designed to bring out the importance of material interests, institutions, and ideas as well as any other surrounding issues which could act as a catalyst for cooperation or defection.

This thesis has resulted in an analysis involving the various dimensions interregional cooperation is based on. The theoretical basis, as well as the empirical findings, has introduced the first dimension of factors influencing interregional cooperation, where actors are presented with a mix of material interest, institutions, and ideas. The second dimension is that of the mode of interregional cooperation, where actors must find a suitable balance between bilateralism and multilateralism. To add to the complexity of handling these balances, the evolving nature of actors, the GPE itself, and modes of cooperation present a third dimension of dynamism to the evolution of interregional

cooperation. The fourth dimension revolves around the critical questions interregionalism raises on the role of rational actors within interregionalism, the role of values trust and codes of conduct, and its role in managing hierarchy and creating rules. The fourth dimension also asks how the nature of interregional cooperation changes in its bilateral and multilateral forms. These issues need to be re-examined in the light of the empirical basis provided in chapters 5 and 6.

The EC and East Asia have been presented with the challenge of these existing balances which determine the evolution of cooperation between the partners. As the empirical chapters have shown, there is hardly a clear cut choice between actors to settle on either side of the balances. Material interest, institutions and ideas are mixed, even when one would not expect it to be. The availability of both bilateral and multilateral modes of cooperation have presented its own set of opportunities and challenges, and the arguably artificial analytical division between bilateralism and multilateralism has served to accentuate the fact that actors operate under both modes of cooperation rather than just a single one.

This Chapter provides an opportunity to re-examine the questions and propositions as well as to look at the EC's bilateral and multilateral interregional partnership in conjunction with one another. First, the question of how the EC and East Asia have dealt with the balance between material interest, institutions and ideas must be answered. Secondly, one needs to determine, from looking at the EC-East Asian partnership, how the dynamic elements of cooperation affected the cooperation process. Thirdly, the EC-East Asian partnership needs to be reconsidered to analyse how the partners have dealt with the two available modes of cooperation and what compromises the partners have reached regarding the balance between bilateralism and passive multilateralism. Finally, we need to re-examine how much insight the questions and propositions in Chapter 3 has provided in our understanding of cooperation, particularly against traditional theories of IPE.

Chapter 4's evaluation of the EC's global actorness and its motives for interregionalism emphasised the unique nature of the EC's institutions and



policy-making process. The EC's unique nature also meant that its motives for interregionalism were far from straightforward and Chapter 4 suggested that various scholars on EC interregionalism have interpreted the motives differently. These motives, as noted in Chapter 4, ranged from material (as seen in its pursuit of economic power and trade), institutional (as seen in its attempt to mirror its institutional settings in other regions), and ideational (as seen in its attempts to be a normative power). The eclectic approach used in this research, backed up by an analysis of the trade data, institutional development, and EC strategic documents within the EC-East Asian interregional relationship has confirmed a number of issues already available in present literature, but also adds a further insight concerning the balances between the material, institutional, and ideational motivations.

Taking these issues into consideration, this Chapter argues on the basis of the evidence assembled that the different balances present within the GPE have obliged the EC to take on the direction of active bilateralism against passive multilateralism in its partnership with East Asia. This entails, as this Chapter will explain, a strong preference towards material interest and bilateralism, but moderated by institutions and ideas as well as the availability of multilateralism as a potential choice. This Chapter will also argue that making use of a combined approach of neorealism, neoliberal institutionalism, social constructivism, and Axelrod's ideas on cooperation, provides some very important insights into EC-East Asian interregional cooperation which was previously difficult, particularly with the inclusions and exclusions IPE theory insisted upon.

## *Influencing Factors of Cooperation in EC-East Asian Partnership*

This thesis has argued how IPE problematics as well as Axelrod's research on cooperation have noted how material interest, institutions, and ideas have been the key influencing factors for cooperation (see Chapter 2). Chapter 2 also explained how dynamic elements of cooperation incorporate a number of endogenous and exogenous factors (evolutionary nature of actors, the hierarchical and constantly evolving GPE, and the evolving modes of bilateral and multilateral cooperation). Chapter 2 went on to explain how the key questions IPE theory raises are the same ones literature on interregionalism is concerned with. Chapter 3 specifically noted how material interest considerations may favour a bilateral mode of cooperation, while ideational considerations appear to be associated with a predominantly multilateral mode of cooperation. These material and ideational considerations are also shaped and tempered by institutional influences, in both a bilateral and multilateral sense, within the relationship. Chapter 4 considered how the EC, as a leading global actor and promoter of regionalism, has been involved in strategies which take into account these various considerations and influences. Chapters 5 and 6 consequently undertook an empirical exploration by using the EC-East Asian bilateral and multilateral interregional partnerships as case studies to gain further insights and answers to the questions IPE and literature on interregionalism raises.

The following section re-examines the empirical evidence in the EC-East Asian partnership and notes how the three influencing factors for cooperation (material interest, institutions, and ideas) have indeed guided the evolution of interregional cooperation between the partners. Equally important, however, is the manner in which material interest, institutions and ideas are indivisible from each other. In other words, there cannot be a partnership based solely on material interest, or one grounded purely on ideas. The delicate balance between each of these influencing factors for cooperation is the key determinant of how cooperation evolves.



## Material Interest

Chapters 5 and 6 noted aggregate trade volume, trade imbalances, and comparative trade data as representative of the changes in material interest (Piening 1997: 14) that have contributed to changes within the interaction of the EC-East Asian partners. This very direct interpretation of trade as a representation of material interest is true not only for the East Asians, which depend strongly on the Europeans as a market for exports, but also for the EC which engages in very little interaction with East Asia apart from for trade.

Chapter 5 demonstrates exactly how heavily trade affects the bilateral evolution of cooperation between the EC and East Asia. The conclusions reached in Chapter 5 include how the interaction between the partners increased relative to the aggregate trade volume. Similarly, any incidence of trade deficits quickly resulted in an almost immediate reaction, particularly from the EC, within a year or two at most. Finally, the treatment of the EC towards its East Asian counterparts as "equal partners" strongly depended on how powerful an actor the respective East Asians were in the global economy. The fact that trade issues appeared to lead the EC-East Asian bilateral agenda confirms that bilateralism is strongly grounded in material interest.

The fluctuation of cooperation and defection between the EC and East Asia due to trade issues provides strong empirical evidence that the rise and fall in cooperation occurs predominantly through material interests (see Chapter 5 and 6). The empirical evidence points towards sharp rises in aggregate trade volume from 1963 to 1975 for Japan, the ROK, and China. This was during the rise of the Asian economies, and European trade particularly with Japan was not only booming, but the Europeans were also faced with a significant trade deficit. This deficit eventually led to the two trade wars between the EC and Japan between 1979 and 1980, due to a sharp hike in the EC-Japan trade volumes which more than doubled in the mere space of four years. These trade wars initiated by the Europeans, indicate a strong reaction towards a threat to material interest in their relationship with the Japanese. The two highly publicised trade

wars quickly resulted in a flurry of activity between the EC and Japan (Wilkinson 1983: 190, 210, Bridges 1999: 25, Gilson 2000). There is also strong evidence to support the suggestion that increase in cooperative activity might be mirrored in the present EC-China relationship where the partners are experiencing similar growths in trade, and the EC suffering similar vast increases in trade deficits (Allen 2002, Dent 1999:147). In the case of the EC-Korean relationship, the two partners have been on a steady warpath over the entire history of the partnership (Dent 1999) and most recently, over shipbuilding (CEC 8/5/2001, CEC 2002).

A strong implication which material interests have on literature on regionalism is the manner in which clashes of material interest appear to be most manageable when dealt with under bilateralism. Chapter 2 noted how interregionalism literature debated whether the nature of the GPE was one of maintaining hierarchy or the management of anarchy. Bilateral institutionalisation resulting from phases of conflict implies, to a certain extent, successful management of anarchy.

The same cannot be said for multilateral interregionalism and its success in managing anarchy. When issues touching on material interests such as trade become more problematic, the multilateral mode of cooperation provides for insufficient enforcement mechanisms to solve the problems at hand. Enthusiasm for ASEM cooled down significantly as soon as the Asian economic crisis set in and halted the steady economic progression of East Asia and increased the already large EU trade deficit (Helsinki 2006:32, CEC 2000). This similar loss of enthusiasm never seemed to occur in the cases of the EC's bilateral ties with Japan or China, even when the trade deficit the EC was faced with was extremely high (see Chapter 5, Material Test)<sup>32</sup>. If anything, the problems taking place in the EC's relationships with Japan and China encouraged further bilateral dialogue and bilateral institutionalisation (Gilson 2000:22, Bridges 1999:43) in order to manage the material interest which defined the partnership. Today, the

---

<sup>32</sup> An exception may be the highly publicised 'bra-wars' occurring in 2005 when the EC placed temporary limits on Chinese textiles imports, citing WTO rules. Despite member state disagreements, the EC has reached an amicable deal with China, to release half the blocked goods unconditionally, with the other half to count against 2006 quotas.



EC is instead concentrating on setting up bilateral framework agreements with each of the individual East Asian nations while keeping ASEM as merely a ground for mutual, albeit indifferent, dialogue. This indicates towards a preference for bilateralism as the most effective means of conducting a highly material based relationship. To successfully manage anarchy in EC-East Asian interregionalism, it appears that bilateralism based on mutual material interests is a requirement as well.

If the pursuit of material interest results in further institutionalization or dialogue, it is very important not to mistake the progress as being led by either institutions or ideas. Sceptics of the importance of material interest could argue that the degree of bilateral institutionalisation as well as the manner in which the EC has attempted to bring its East Asian partners into the global economy to share the values of fair trade stems from the influencing factor of ideas. Empirical evidence, however, points out that EC attempts to bring the East Asians into the global economy and to encourage a free market are usually for motivations which are far from ideational. The most obvious case of this, the EC's ambition to bring China into the WTO, started in 1995 and continued in 1996 when the EC's trade deficit with China had almost doubled from ECU 8236 million in 1993 to ECU 15292 in 1996, with the trend to continually increase. This attempt to multilaterally institutionalize the Chinese within the WTO was conducted during a period when the EC was clearly losing out materially against China, and inclusion of the Chinese in the WTO would bring them under multilateral economic rules and safeguard the EC from further material losses (Shambaugh 1996:23)<sup>33</sup>. EC strategic documents from 1995 detailed in Chapter 6 also accounted for an increased call for improved human rights and civil society in China, a subversion towards ideas which the EC often makes use of when it is losing out on material interests.

---

<sup>33</sup> The success of this strategy may be debated by the fact that the EC continues to encounter problems with market access, services, the enforcement of IPE, and the respect of international standards (CEC 2003: 15-16)

The case for materialism in the EC's bilateral relationship with Japan and Korea is much easier to argue without confusing material interest with ideas. In the EC's relationship with Japan, the bilateral institutionalisation of the partnership actually stemmed from the negotiations over means to solve the ongoing trade problems<sup>34</sup>. The EC hardly tried to disguise its desire for fairer trade practices from Japan with any indication of the notions of a free global market. The Korean alleged unfair trade practices have meant that the strong conflict in material interest has led to the collapse in cooperation. In the case of Japan, mutual material interests were upheld through fruitful negotiation. In the Korean case, this did not occur, and apart from material interest achieved through trade, it is clear that the EC and Korea hold little else in common (Dent 1999: 2000).

### Institutions

Apart from the internal and external institutionalisation occurring separately in the EC and East Asia in accordance with evolutions in the global political economy, a process of constant institutionalisation has occurred directly within the EC-East Asian relationship. This thesis has raised the possibility that institutions can help to temper material and ideational considerations, and could sustain cooperation in a partnership where material interests and ideas are not being fulfilled by either side of the relationship. The institutional side of the partnership offers a further insight into how cooperation may have been managed, how conflicts have been mediated, and how institutions may have been a factor in balancing the modes of cooperation.

While material interest and ideational values offer some explanation for the evolution of cooperation in the EC-East Asian relationship, they do not account for several episodes of deepened cooperation despite some periods of

---

<sup>34</sup> The EC-Japan section in Chapter 4 describes in detail how conflict led to negotiations throughout the history of the partnership.



strong conflicting material interests and relatively unsuccessful attempts to insert ideas into the partnership. These periods have marked the EC-East Asian relationship at varying times, particularly the EC-Japan trade wars and the long period of China's communist rule.

The fact that these periods have resulted in a relative degree of continued negotiation, dialogue and cooperation while the EC-Korean relationship appears to have reached a stumbling block may well have been a result of the relative degree of institutionalisation in the relationship as well. Empirical evidence points out that dialogue between the EC, Japan, and China started well before any meaningful dialogue with Korea (Dent 1999:2000, also see Chapter 5: Key Junctures section). The 1954 Geneva Conference boosted ties between the EC and China well before even the US could get involved in the relationship. This would later result in the 1978 EC-China Agreement on Trade and Economic Cooperation a feat which would take the EC and Korea until 1996 to achieve. An ongoing level of calm followed in the EC-China relationship followed, unblemished by relatively balanced trade, and would intensify as the EC realised the importance of having the Chinese economy integrated into the WTO. Kapur has noted similar levels of increased communication and diplomacy between the Europeans and China which led on to a high degree of cooperation between the two (1986: 26-30). Chapter 5 additionally points towards the various EC strategic documents outlining its relationship with the Chinese, including two framework agreements, and at least six European Commission Communications showing a highly institutionalised relationship.

Similarly, the European's love-hate relationship with the Japanese obliged the two to engage in negotiations ever since Japan's entry into GATT. The apparent levels of bilateral institutionalisation have been documented extensively in the EC-Japan relationship with each set of conflict creating increasingly mature dialogue procedures (Dent 1998, Gilson 2000). The EC's relationship with Japan became sufficiently institutionalised that it only required the 1991 Hague Declaration as an affirmation of its ongoing dialogue and commitment to the partnership. It reaffirmed the regular consultation mechanisms formed over the

past three decades of intense interaction between the two partners to such a degree that a framework agreement was simply not necessary.

The relative delay in institutionalisation of the EC-ROK relationship presents a puzzle for this research. While the ROK has presented as many trading problems for the EC as the Japanese have, the ability to negotiate and reach a mutually satisfying agreement for the partners has been low. The predominantly important trading issues between the EC and the ROK have included IPE, telecommunications procurement, taxes on alcoholic beverages, and ship-building (Cho 1993, Dent 1999). Each of these problems has been taken, or at least threatened to be taken, to the GATT or the WTO (Dent 1999: 198). One of the reasons may have been the ROK's relative lack of attempted cooperation, compared with the Japanese. Another reason may be that while Japanese competitiveness may have been extremely high during the periods of the EC-Japan trade war (Meynell 1982: 106-11), the same does not hold true for the ROK which has allegedly practiced subsidies to strategic industries and "unfair" pricing (Kokko 2002: 12). The ROK's unwillingness to cooperate with regard to the shipbuilding problem has been described in the strongest terms by the European Commission as an "intransigent refusal to accept a credible and effective solution" (CEC 8/5/2001). The 2001 EC-ROK Framework Agreement, while maintaining a friendly and cooperative tone, struck a severe note on trade issues which is simply not present in the other bilateral agreements (CEC 2001).

At a multilateral level as seen in the ASEM process, institutionalization appears to have been a factor for cooperation which has been included by default. ASEM is, in itself, a multilateral institution. It is important to note, however, that the ASEM agreement was relatively intangible and based on principles (CEC 2002), leading to a looser degree of institutionalisation which may have carried on until the present date. Compared to the levels of institutionalisation achieved in the bilateral ties, this informality, intangible nature, and lack of enforcement mechanism may have had an effect on the future course of the relationship (Kahler 2000, Helsinki 2006). This thin level of institutionalization has been described by Kahler as 'shallow institutionalisation'



(2000) and by Abbot and Snidal as 'soft law' (2000). It has become such an accepted feature in the EC-East Asian multilateral partnership that analysts have urged further understanding of ASEM as an arena to promote regular dialogue and understanding between regions (Hwee 2002: 5) as well as a meeting to influence working methods based on mutual understanding (Ofken 2001:12)

Institutions in the EC-East Asian relationship, therefore, have been generally been a sustaining factor in cooperative partnerships. The EC's bilateral relationship with Japan and China indicates how an institutionalised relationship may have maintained strong levels of dialogue which have sustained cooperation even during extremely difficult times. The bilateral institutionalisation process may have proven to be more effective than the looser, informal, although carefully designed multilateral institutionalisation as seen in ASEM. The lack of or delay of institutionalisation, as witnessed in the EC-ROK case, may actually mean that the forces of material interest and any lack of success in carrying out ideational values may result in full fledged defection by both partners.

### Ideas

Even in a strongly trade-based relationship which appears to have been strongly dictated by material considerations, ideational values have their own significant role in an interregional partnership. In the case of the EC and East Asia, empirical evidence appears to suggest that the side losing out on material interest due to issues of trade imbalances may try to compensate through insertion of ideational values into the process (see Chapter 5). The EC, as the more powerful economic and political partner, has been rather persistent in its attempts to ideationally shape the partnership into one where its own values and ideas are more prominently featured (Forster 2000: 789, Smith 1994: 462). In its interregional ties, the promotion of ideas has been at the centre of the EC's interregional strategy (Santander 2005, Hettne 2001, Forster 2000, Gilson 2005). After the analysis of the EC's role as a global actor and promoter of interregionalism conducted in Chapter 4, one would expect ideas to feature

prominently in the EC-East Asian partnership. Empirical evidence points out that the EC has been at best inconsistent with its attempts to carry out its ideational strategies.

While the East Asians have emphatically tried to avoid all attempts at what is usually labelled political interference, or interference in local affairs, the EC has gradually attempted to introduce values held dear in West Europe to Asia<sup>35</sup>. With the issue of human rights and democracy in Myanmar and China still a sore issue among the Europeans, this has caused some disruption in the cooperation process between the EC and East Asia. This was most prominently displayed in the lead up to ASEM V in Hanoi where talks broke down on the issue of ASEM enlargement which would have had to include the military regime of Myanmar (Helsinki 2006:33, Reiterer 2004:9).

In sharp contrast, the EC has been less adamant about swift political and social reforms in China, instead opting to integrate the Chinese into the global economy by inclusion in the WTO. Each and every one of the European Commission documents, however, mentions the need to improve human rights and encourage a civil society in China (see Chapter 5, Rhetorics section). The only instance when a direct confrontation on this issue was carried out was during the Tiananmen Square Massacre when trade between the EC and China was aborted for several months. The effect on trade during this period was minimal (Shambaugh 1996: 17). So far, the EC's insistence on improvements in Chinese human rights and democracy has not led to any outright conflicts between the EC and China, although this could potentially become a problematic issue should China's record on human rights and democracy deteriorate.

The bright side to the inclusion of politics in the EC-East Asian dialogue is that the EC's insistence on a heightened Japanese global role may have reinvigorated the bilateral tie and brought it to a new level of maturity. It appears that while the EC-Japan commercial relationship may have become relatively less important, the EC's encouragement of Japan as another global political

---

<sup>35</sup> This has been discussed in detail in Chapter 6, particularly in the rhetoric analysis section.



leader to counter the American political power has made the EC and Japan partners in more than economic issues. This is significant since it implies a strong degree of trust and a highly strengthened dialogue procedure where high politics can also be discussed. This sophistication and sincerity in dialogue is not necessarily present in the other EC-East Asian relationships.

Apart from being an EC tool to expand interregionalism, ideas have actually proven to act as a distraction to further cooperation. At ASEM, the global war on terror has played a role in sidelining any attempts to make the talks more substantial. Political and security issues have become the centre of the last two summits and dominated most of the discussion while very little was mentioned on how to make members less indifferent towards the ongoing multilateral process (Krenzler 2002:5, The Asia-Europe Summits 2002). Any resulting action has been mainly rhetorical and intangible (see Chapter 5 and 6). Notably, this same diversion of issues has not occurred on a bilateral level, with economic issues clearly taking on more significance in each of the bilateral dialogues.

Ironically, the thread which holds the ASEM multilateral forum together loosely is probably the ideational side which has failed the EC-Korean relationship so devastatingly. The ASEM forum was founded on ideas and values, and for all its ineffectiveness, it is ideas and values which have kept ASEM from completely falling apart. Straight from its conception, ASEM members agreed on four key characteristics including its informality, multidimensionality, equal partnership and its high level focus (CEC 2002a). Its three pillars, including the fostering of political dialogue, re-enforcing economic cooperation, and promoting cooperation in the social and cultural fields, extolled the very values of maintaining a peaceful political world, promoting a free market, and being a socially stable member of the global community. These are ideas held dear by members of the EC and have been successfully included into this multilateral forum (Commission 2003:26).

Similarly, although perhaps to the detriment of the multilateral process, the Asian ASEM members have also been successful in including the ideational elements of informality, multidimensionality, and equal partnership into the ASEM

process. These values have been representative of the manner in which the East Asians have conducted their own external relationship and possibly in conflict with the European's own values or preferred code of conduct.

The ASEM process continues to exist, despite housing two conflicting sets of ideas and values. Furthermore, empirical evidence suggests that ASEM survival continues, despite the clash in material interest. The preliminary conclusions of the trade data in Chapter 6 indicate that despite an overall rise in the trade interaction between the EC and Asian ASEM members, it is usually attributable to a sharp increase in the interaction between the EC and just a couple of the Asian ASEM members. Among some Asian ASEM members such as Japan and ASEAN, their relative importance as trade partners has actually decreased. A trend of widening EC trade deficit against the Asian ASEM members has also persisted, threatening the material interest in the relationship. The Asian economic crisis has presented further complications to the material interest involved in the ASEM process and particularly in 1997 and the next few years of Asian economic recovery, East Asia's promising economic growth had been thwarted and once again threatened the material interests involved.

The evidence indicating that the material interests involved in the ASEM process are becoming less attractive, particularly for the EC, is compelling. Even as such, the ASEM process has not slipped into defection, as it did in the EC-Korea relationship. Instead, ASEM members are mechanically performing their institutional duties in a perfunctory and indifferent manner. This may not be indicative of defection, and although the involved members are less interested in each other, it may be that the manner in which ideas and values hold more importance in a multilateral relationship has played a critical role in sustaining the ASEM process. It is arguable, however, that the sustained ASEM process has been conducted in an atmosphere of indifference, rather than either outright cooperation or defection.

To be precise, the EC members may continue to see some value in even an informal discussion of the promotion of free trade, human rights, and social exchanges. This in itself constitutes some proof that in the EC-East Asian



partnership, ideas are not completely irrelevant and holds some value to the sustenance of interregionalism. In addition, the ASEM forum has been responsible for forming numerous high level dialogues, resulting in several declarations and statements of purpose from the members. The forum's increasingly bureaucratic nature, while arguably more tedious, has ensured that increased institutionalisation has been introduced into the process. This may have ensured a higher degree of trust between the members as well as instilled a sense of familiarity which are essential elements in the evolution of cooperation. The main stumbling block, however, may be the manner in which the EC and the East Asian members' ideas and values, both inserted into the ASEM forum, are not entirely complementary.

### *Beyond Material Interest, Institutions, and Ideas: Role of Reciprocity, Commitment, and Codes of Conduct in Interregionalism*

While the previous sections provided some expected answers on interregional cooperation, the role of commitment and codes of conduct proposed by Axelrod's research on the evolution of cooperation unveils some of the most refreshing insights into interregionalism. While the factors of material interest, institutions and ideas are absolutely critical in determining the evolution of cooperation in a partnership, Chapter 3 noted how a number of considerations on cooperation proposed by Axelrod are also relevant to how cooperation evolves. Among these two is the manner in which Axelrod's propositions mix elements of material interest and ideas to provide a further emphasis on the role of commitment and the role of codes of conduct. Questions were also raised with regard to interregionalism and includes the role of rational actors within interregionalism, the role of values trust and codes of conduct, its role in managing hierarchy and creating rules, and how the nature of interregional cooperation changes in its bilateral and multilateral forms also need to be re-examined in the light of the empirical basis provided in chapters 5 and 6.

The nature of commitment is an extremely important component in the cooperation process as has been suggested by Axelrod's conditions for the evolution of cooperation (Axelrod 1984). Commitment to a relationship guarantees that actors continue to work on a relationship despite any problems arising, defines the actors as allies, identifies the underlining values and ideas they consider to be important, and adds to familiarity and trust. In the EC-East Asian relationship, commitment has developed differently in the bilateral and multilateral relationship. This has led on to distinctly different practices as can be verified by the nature of eventually established working institutions as well as the partners' ability to draft binding agreements in the bilateral and multilateral modes of cooperation.

The forces of an interregional bilateral relationship oblige two partners to work together in cooperation and especially in conflict. This has been confirmed over and over again in the EC-East Asian bilateral cooperation process, particularly over highly contentious issues such as fair trade practices and the trade imbalances. Put simply, a bilateral relationship does not require binding agreements to make certain the partners are working together and are committed to each other.

The first important insight on interregionalism provided by Axelrod's research on cooperation is that rational actors are indeed affected by memories of past interaction and the development of commitment and codes of conduct. Bilateralism between the EC and Japan was plagued with conflict during its earlier days, but commitment towards the relationship has been so strong that an atmosphere of cooperation can be perceived in the present. In 1976, during the peak of the EC-Japan trade problems, Doko Toshio, President of Japan's Keidanren, was so shocked at the degree of anti-Japan sentiment in Europe that he returned and insisted that the Japanese government create plans of action which would counter this sentiment. The Japanese government immediately began a program of voluntary export restraints as well as trade barrier reductions which were considered to have been sincere measures to please the Europeans (Wilkinson 1983: 190). This was despite the fact that today, it has been noted



that Japan's competitiveness was so high during the period that unfair trade practices may not have been the main reason for the large trade imbalances (Meynell 1982: 106-11). It has also been argued that though the Japanese were slow in deregulating, their formal trade barriers have been steadily reduced and are, in most cases, below those maintained by Europe and America (Bridges 1999:25).

The second important insight on interregionalism provided by Axelrod is the role of reciprocity in sustaining cooperation, despite the tendency towards conflict. The European Commission may have taken note of these genuine attempts at cooperation and initiated discussion among member states for a reciprocal removal of bilateral safeguard clauses (see Chapter 4, EC-Japan section). This initial move towards reconciliation failed, but still demonstrated a strong desire for cooperation by both the European Commission and Japan. During the period of conflict and eventual reconciliation between the EC and Japan from the 1970s to the 1990s, a steady string of institutionalisation in the relationship was carried out and has amassed into a strong consultative framework which has been confirmed with the 1992 Hague Declaration (Gilson 2000:95, Bridges 1999:43). This atmosphere in EC-Japan cooperation has been maintained until today, and one would also note that the main source of conflict, the EC's trade deficit, has stabilised.

The two important insights on interregionalism with regard to reciprocity, commitment, and codes of conduct are indeed carried forward to the EC-China interregional partnership. While the evolution of cooperation in EC-Japan relations has stemmed from conflict, the EC-China relationship has differently evolved from a strong degree of commitment and cooperation between the two partners. Ever since the Sino-Soviet split in the 1960s, the European relationship with the Chinese has been extremely healthy. The rational choice explanation for this may be because the EC's large trade deficits against China did not arise until much later than the other bilateral relationships. Social constructivists might instead attribute it to the fact that the Europeans saw their own identity as a force to balance the communists as well as American unilateralism later on. This view

would have been mirrored by the Chinese, who also saw the Europeans as a possible force for a more multilateral world.

A mutual degree of respect and understanding resulted in an extended period of successful negotiations, even over the extremely controversial issue of textiles. Highly notable is how the EC and China managed to agree on a 1979 Textile Agreement when talks had previously broken down between the US and China (Kapur 1986: 62-63). After this period, the trade imbalances started to become a factor in the EC-China relationship, and were noted time and again in the trade framework agreements (see Chapter 5, rhetoric). The EC solution to this appeared to be to persuade China to integrate smoothly into the world economy, a move which began as early as 1995 and resulted in China's WTO accession in 2000. It has already been noted, however, that China had already made several unilateral import tariff rate cuts since the early 1990s, and numerous reforms were starting to have a positive effect on the current account convertibility (Koko 2002:25).

Bilateral commitment need not necessarily mean cooperation, as has been witnessed in the case of the EC and Korea. Trouble started early in this relationship and Korea's unwillingness or inability to cooperate may have resulted in the current phase of trouble between the two partners. Problems in the ROK's practice of domestic policy, including IPE, telecommunications procurement, and taxes on alcoholic beverages were the early problems which plagued the relationship from the 1980s. This was later compounded by mounting problems in the areas of the shipbuilding industry, steel, and semiconductors (Moon 1994: 146-162). Each of these cases were taken, or threatened to be taken, to either the GATT or the WTO and very few of them were solved bilaterally (Dent 1999: 198). In the meanwhile, the EC's trade deficit against the ROK continued to grow. This observation does not mean, however, that the two are not committed to each other. It appears that the partners are now obliged to work together to improve their relationship and resolve the ongoing trade problems.



To look for an area where commitment appears to be most lacking in the EC-East Asian relationship, one needs to take a look at the multilateral mode of cooperation occurring within ASEM. Unlike the bilateral mode, the East Asians have insisted on a process which is non-binding, informal, flexible, and based on an equal partnership (CEC 2002A). Considering the EC's economic might, an equal partnership is simply a set of principles and certainly not grounded in reality. ASEM's nature has instead offered the partners opportunities to avoid commitment to each other. Empirical evidence points towards rhetorical declarations and meetings which have failed to produce substantial outcomes (Gilson 2004:195). This has been reflected in the European's feeble efforts to aid their East Asian partners through the Asian Economic crisis (Gilson 2004: 193, Dent 2003: 231), the dismissible evolution in trade between the EC and ASEAN (Helsinki 2006), the lack of coherent policies, and avoidance of dialogue on sensitive economic and political issues (see Chapter 6).

The number of actors involved in a multilateral relationship is arguably one of the most important factors in decreasing enthusiasm to commit. ASEM as a multilateral relationship attempts to be as institutionalized as possible, meaning a painstaking and extremely bureaucratic system which makes it very difficult to reach an agreement (Gilson 2004). This could have been another factor in the increasing indifference the EC has had towards the ASEM process.

The evolution of cooperation in EC-East Asian relations and the coexistence of cooperative modes has not only brought out an interesting balance in material and ideational values, but this very balance appears to have resulted in the emergence of accepted principles of conduct between the partners. These accepted principles of conduct cannot be clearly distinguished by either rational choice arguments or social constructivist explanations. Instead, the accepted principles of conduct between the EC and East Asia in both the bilateral and multilateral modes of cooperation display the mixed symptoms of both material interest and ideational values. This mixture of possibly either opposing or complementary components has been accepted by the partners as an acceptable means to carry on the evolution of cooperation.

According to Axelrod, promotion of cooperation can occur by ensuring that continued contact with both players will continue, changing the payoffs, teaching people to care about each other, teaching reciprocity, and improving recognition abilities (1984). Similarly, Ruggie stresses the importance of reciprocity in bilateralism and his ideas on a society of states outline the importance of commonly accepted values, rules and institutions to promote cooperation between states (1992:11). These methods are widespread within the politics of the global economy. The EC and East Asia will continue to interact politically, economically, and socially as members of the global community, which, according to Axelrod, would encourage both sides to continue with the cooperation process. The cooperation in this case, however, has the clear tendency of evolving and transforming to accommodate circumstances and the interest of each player.

Making use of suggestions on cooperation derived from the rational choice, social constructivist, and evolution of cooperation camps (see Chapter 3), three very clear observations can be derived on the developed of accepted principles of conduct in interregionalism as observed in the EC-East Asian relationship. Importantly, these observations on accepted codes of conducts are not exclusively linked to either material interests, institutions or ideas. First of all, the evidence assembled shows that the issue of reciprocity is strongly relevant in interregionalism, and is a key to the promotion or collapse of the cooperation process. Secondly, dialogue between the partners results in the critical issue of caring, trust and familiarity between the partners. Thirdly, a reputation is created during the course of interaction and perception of whether a partner is considered to be, in Axelrod's terms, 'nice' or not, is developed during the history of interaction between the two (Axelrod 1997: 21).

These three accepted principles of conduct may have been responsible for the thriving relationship between the EC and China and for the maintenance of a relatively maturing cooperation process between the EC and Japan. The three principles have been clearly maintained in the EC's relationship with Japan and China, where the balancing of economic might and ability to reach



satisfactory conclusions to negotiations has been prevalent within two reciprocal, albeit sometimes uneven, partnerships. During the course of the relationship, as mentioned in previous parts, constant dialogue has been established leading to a high degree of institutionalisation. A high degree of caring, trust, and familiarity is observable in the constant dialogue and numerous strategic documents. Most importantly, the fact that cooperation is relatively smooth between the EC and its partnership with China and Japan despite the ballooning trade deficit against China, and a constant deficit with Japan, points towards a very high degree of trust and familiarity. Japan's reputation for 'being nice' has been established over the years and its propensity for cooperation is regarded as strong. For China's case, perhaps a high degree of familiarity and trust may serve as a better explanation than possession of a 'nice' reputation, particularly because the EC's relationship with China has been extremely strong over the past four decades and has been relatively pacific.

The accepted principles of conduct differ when analysing the EC's bilateral relationship with the ROK and with ASEM. The Koreans have developed an extremely poor record in cooperating with the EC, consequently creating a poor reputation which has been reflected in the EC's strong wording in its strategic documents as well as break down in bilateral talks necessitating the adjudication of the WTO. The degree of institutionalisation between the EC and the ROK has been relatively low, with dialogue lacking compared to the EC's relationship with Japan and China. Finally, the relationship is far from reciprocal, with the Korean economy far less powerful than the EC's and the EC-ROK aggregate trade volume low compared to the other East Asian partnerships. In other words, the accepted principles of conduct between the EC and the ROK have not been set into motion effectively, possibly accounting for the failure of the relationship.

The ASEM case is more challenging to analyse because of its multilateral nature. It presents an excellent example of dialogue and a strong, albeit possibly rhetorical, display of caring, trust, and familiarity. Asia's diversity and different levels of development, however, force the entire group to resort to informality and flexibility (Hwee 2003, 2004). Firstly, as previously mentioned, Asian ASEM

members' diversity prevents them from speaking with a single voice. Secondly, the level of diversity means that Asian ASEM members must resort to their own set of values in order to inject further informality and flexibility. Given the differences in culture, levels of development, and governing systems, ASEM's Asian side seems to have its hands tied and prevented from searching a more effective policy direction.

The establishment of reputations in this multilateral relationship is vague due to its non-committal nature, but the ASEM forum's reputation itself is one of a fatigued, bureaucratic, and often ineffective set of partnerships. The issue of reciprocity is similarly confusing, since the economic power of each of the East Asian members differs and fluctuates strongly. Reciprocal acts or niceties have been lacking in the ASEM process, as have been any reciprocal acts of defection. This adds up to a highly confusing set of observations and further questions on exactly what the accepted principles of conduct in the multilateral relationship might actually be. Lack of a set of lacking principles of conduct may actually have led to the disinterest and indifference seen in the ASEM process today.

### *Dynamic Elements of Cooperation in the EC-East Asian partnership*

The determinants of cooperation are not alone in setting out the direction for cooperation in the GPE, because the dynamic elements of cooperation often will vary the balance in material interest, institutions, and ideas. One of the strongest themes to emerge from the vertical analysis in chapters 5 and 6 is that the fluctuation of cooperation depends very strongly on the dynamic elements of cooperation presented in Chapter 2. This thesis has argued that the evolutionary nature of actors, the hierarchical and constantly evolving GPE, and the evolving modes of bilateral and multilateral cooperation are elements which need to be taken into account while analysing cooperation. The vertical analysis in chapters 5 and 6 demonstrated how these dynamic elements of cooperation played a very



obvious role in influencing the direction of cooperation. This section highlights these elements and compares and contrasts the dynamic elements of cooperation in the EC's bilateral and multilateral partnership with its East Asian partners.

### Evolving Nature of Actors

The constantly changing economic strength of the East Asians and the EC's own evolution have a strong effect on shifting the material, institutional, and ideational balance. Firstly, we can explicitly note how the periods of rise and fall in the East Asian countries' economic strength led to fluctuations in cooperation. Chapter 5 clearly indicated how material interest dictated the tone of the relationship. In a similar fashion, East Asia's economic dynamism led to changes in the balance of material interest which consequently caused the fluctuation in cooperation itself. This was clearly portrayed in the manner in which the EC was engaged in a very intense relationship with Japan in the 1950s, at the period when Japan's economic rise was beginning to show. Similar trends followed with the ROK and China as the 90s approached. During periods when the individual East Asian economies' progress began to stagnate, it appeared that the intensity of the cooperation process also stagnated along with it. This was evident with the EC and Japan during the early 1990s as well as the rest of the region at the end of the 1990s as a result of the Asian economic crisis. This downward trend in the economic progress of the East Asian actors was eventually reversed from 2000 onwards, and this resulted in the return towards a trend of an intensive relationship, particularly between the EC and China.

Secondly, apart from the East Asian states' dynamism, the EC has also seen an evolution in its capacity to cooperate. One of the most important results of the EC's evolution is the European Commission's ability to speak on behalf of

the EC on matters concerning trade from the 1970s onwards<sup>36</sup>. The formal establishment of the Common Commercial Policy and the rise of the European Commission's executive powers saw the Commission deal directly with the Japanese government between the 1970s to the 1980s (Gilson 2000:26-27, Drifte 1986:97). In 1974, and amid European confusion on how to deal with China effectively while bilateral trade agreements between individual European member states were due to end, the European Commission stepped up and was given the duty of conducting all future negotiations with China (Wong 2005:6). This resulted in the 1978 EC-China Trade Agreement and the first agreement the EC had agreed with a non-market economy. The individual member states were also happy to allow the European Commission to similarly negotiate with the ROK and address the numerous trade problems which have continually occurred.

There has been a surprising period of calm during the EC's latter evolution, unlike during the preliminary establishment of the EC and the feared Fortress Europe, and the diplomatic and communicatory role of the European Commission may have had a large part to do with this. By the end of the 1970s, a structured system of dialogue was already set in place between the EC and its East Asian counterparts. This included regular 6 month and annual meetings at various levels as well as permanent representatives from both the EC and the East Asian side in Brussels and the East Asian capitals. This enhanced mutual trust with the constant communication meant that there was no panic with each of the changes which occurred during the EC's recent and continued evolution.

---

<sup>36</sup> Chapter 5 includes analysis at several stages of the EC-East Asian's bilateral relations when the European Commission's role increases as a result of its increased competency.



## Evolving GPE

Three changes in the global economy appear to have had a strong effect on the EC-East Asian relationship, and each of these episodes is based mainly in East Asia. The three events include the changes in the American economic importance in Asia, the rise of the Asian Economic Miracle, and the fateful Asian Economic Crisis. Each of these events caused serious shocks within the EC-East Asian relationship and proved to be both extremely strong stimuli in changing the balance between material interest, institutions and ideas.

The American post 2nd World War role in Asia had strong effects on the material considerations of the EC-East Asian economic partnership. Its continued security interest in Japan and Korea meant that the US-Japan and US-Korean relationships were very tight, particularly because security and economic concerns were still tied together. During the 1950s, the US played an extremely important role in integrating the Japanese back into the international community and was instrumental in Japan's successful application into the GATT (Drifte 1986:96). The US even went on to offer tariff concessions to countries which gave MFN status to Japan, although this was met by strong resistance from the Europeans who were extremely wary of Japan's reputation as a protectionist trader (Gilson 2000:15). During this same period, the ROK also found itself relying mainly on US grant aid to sustain itself. There have been suggestions that this reliance on US aid may have actually caused so much Korean dependency on the US that it may have prohibited development in the ROK (Preston 2001:205).

When the Americans relinquished a number of opportunities within East Asia, it meant that the Europeans were able to increase their material interests within the region. This was the case, particularly with China. The Americans' close friendship with Japan and the ROK meant that in the beginning, there was very little space for any European involvement with the two Asian countries. While American ties with Japan and the ROK were extremely strong after the 2nd

World War, this was not true with China. China's own strong ties to the USSR antagonised the Americans and denied the Chinese any opportunity for further communication with their ideological opposite (Dent 1999: 129). It is extremely important to note how the Europeans jumped on the chance to strengthen their ties with China, starting from the 1954 Geneva conference, and how quickly West Germany, Britain, and France became China's largest trading partners during the subsequent period. By the middle of the 1960s and despite their ideological differences, West Europe had become China's most important trade partner (Shambaugh 1996: 5).

It is remarkable how the changes in the US-East Asian relationship accompanied fluctuations in the EC-East Asian relationship, once again marked very strongly by material considerations. The 1963 US grant aid reduction to the ROK caused the Koreans to find an alternative means to balance their dependency and this meant looking towards Europe (Cherry 2001). This admittedly did not cause an immediate effect on increasing trade between Europe and the ROK, but at least obliged the two to begin looking at possibilities towards creating a substantial relationship. On the other hand, the 1971 normalisation of Sino-US relations imposed a strong threat to the thriving Sino-Europe trade relationship. Between 1975 and 1985, the US share of China's imports rose from 5.1 percent to 12.2 percent and was a strong factor in reducing the EC's importance in China during that specific timeframe (Dent 1999:134-135). Equally noteworthy is how the American's strong trade relationship with Japan has been maintained and the manner in which the EC has continually been overshadowed by the US with regards to its own trade relationship with Japan.

The Asian economic crisis, one of the most significant shifts in the GPE, altered the conditions for cooperation in both a material and an institutional sense. It is necessary to take note that while the ASEM process may have been marked with indifference since 1997, the Asian economic crisis did not cause a dramatic pause in the bilateral relationships between the EC and East Asia. A relatively strong trade relationship between Europe and East Asia had already



been established by this time, and a failing Asian economy meant that the trade deficit the EC was suffering against East Asia would only grow larger. The EC pushed forward with its plans to integrate China into the world economy through the WTO. A new framework agreement with the ROK was also formulated in 2001 which clearly emphasised, in the strongest terms, the problem of ship-building which was plaguing the EC-ROK partnership (CEC 2001B). An Action Plan for EC-Japan Cooperation was initiated in the same year, although with 35 consultation frameworks between the EC and Japan meeting as often as twice a year or at least once a year, this ensured that the two partners were in constant contact (CEC 2001C).

The manner in which the evolution of GPE affected the ideational balance can be found in areas which are less directly concerned with trade – although how these issues are dealt with can subsequently affect trade. Issues of Asia's democratisation process, human rights issues, and the global war on terror provided perhaps an unwelcome diversion to the trade issues the EC and its East Asian partners were predominantly interested in. Global changes in areas of politics and security have always found their way into the cooperation process and appear to have introduced a degree of complexity and confusion into the relationship, not necessarily by the partners' choice.

To begin with, East Asia's choices in the evolving GPE have usually been in conflict with the ideas the EC considers to be important (Hwee 2004:21). The East Asians are known for their diversity, but their political diversity in particular introduces some serious complications into the EC-East Asian relationship. The EC insists on trading with countries with no less than a clear record on human rights and a democratically elected government. After all, these have been insisted on at the highest degree possible in its own enlargement process. Myanmar and China, especially the former, continue to introduce the most severe potential for problems, with regard to political and security events. Myanmar's continued refusal to democratise and its membership to ASEAN has introduced a strong shock to the ASEM process and has even threatened to derail the process. China's record of human rights was marred with the events of

Tiananmen Square, an episode which caused a period of disruption in its bilateral and multilateral ties with the EC.

One must also note that each of these political and security events quite often has a strong impact on the global political economy and can cause a shift in concerns over material interest, institutions and ideas. The September 11 attacks on America launched the entire world into a period of economic uncertainty which was clearly reflected in the trade data between the EC and East Asia. The EC embargo on China during the events of Tiananmen Square also produced a similar effect for the two partners.

The global war on terror has had a rather indirect impact on the EC-East Asian relationship, although it may have been responsible for a strong diversion of interest away from the cooperation process. ASEM's post 9/11 summits have often been dominated by issues of terrorism prevention, sidetracking trade issues in a very obvious manner. The EC has also insisted that Japan share a larger responsibility in global governance as both a support and a balance to the US dominance (Hague Declaration 1992). Similarly, the problem of containing North Korea has been one of the most important talking points, with the relevant issues constantly being referred to in the framework agreements as well as producing a 1999 EC Council of Ministers Conclusions on the Korean Peninsula (CEC 1999).

### Evolving Modes of Cooperation

Like the other dynamic elements of cooperation, the evolving modes of cooperation in the EC-East Asian partnership are also responsible for altering the balance between material interest, institutions, and ideas. By design, the coexistence of the bilateral EC-East Asian relationships and multilateral ASEM process should not have posed a problem. The ASEM process clearly states that the forum should only be used as an area to promote further bilateral ties. In other words, the existence of this EC-East Asian multilateral mode is merely to accommodate the existing bilateral ties between the EC, ASEAN and East Asia.



The conclusion one would come to when analysing ASEM's statement of purpose is that the bilateral mode should certainly take precedence over the multilateral mode of cooperation.

The coexistence of bilateralism and multilateralism within the EC-East Asian relationship is, however, more problematic when put into practice. It is problematic, in the first instance, because it has the propensity to overshadow other efforts in improving cooperation by partners who give undue attention to an extremely informal multilateral cooperation process. While this has not been a problem among the three East Asian states within the case studies, in the case of the EC's relationship with ASEAN, the ASEM process has effectively taken over any dialogue which occurs between the two regions. The EC-ASEAN 1980 Cooperation Agreement, in itself a very broad and intangible agreement, has not been superseded with any other framework agreement for over two decades. As such, the EC-ASEAN relationship has been strongly reliant on the ASEM framework in order to advance cooperation. Empirical evidence indicates that the ASEM framework has done very little for ASEAN's relationship with the EC, with trade only increasing marginally and its relative importance as an important EC trade partner significantly reduced.

In other instances, the two cooperative modes send out mixed messages on the status of the relationship and the balance of interests within the relationship, which threaten any accepted principles of conduct established in one mode of cooperation. ASEM's ideationally-based principles of informality, multidimensionality, equal partnership and its high level focus are simply not complementary with the bilateral principles of conduct which are often highly based on material interest. A good reputation in ASEM, to take the ROK as an example, does not translate to a similarly healthy reputation for cooperation in the bilateral relationship. ASEM's policy of non-interference and equality also contradicts the strong struggle for both economic and political leverage which is symbolic of the bilateral relationships. The EC's continued insistence on an improved record of human rights in China and an increased role for Japan, for

example, are issues rarely discussed directly in the multilateral ASEM forum, but are one of the main features in the bilateral level discussions.

In addition to this the benefits of institutionalization are marginalized because of the manner in which, the forum fatigue presented in the ASEM forum (Reiterer 2000, ASEM 2000) may actually spill over to forum fatigue at the bilateral level, or vice versa. Some of the relationships, such as the EC's partnership with Japan and China, are so highly institutionalised that the bureaucratic nature of ASEM only acts as an unwelcome burden. The EC has had to handle both the institutionalisation of the bilateral ties as well as those in ASEM and it appears that priority has been provided to the more effective bilateral institutionalisation. This is hardly surprising, since ASEM's own objective states that the bilateral ties should take precedence, but the Europeans' unwillingness or inability to cope with the increased dialogue may have rendered the evolution of cooperation in the multilateral mode rather useless. Yet, the mere existence of a multilateral mode of cooperation despite the lack of interest in it could provide mixed messages concerning the EC's commitment to the multilateral partnership.

The evolution of modes of cooperation also means that when material interests have not been met through one mode of cooperation, partners have the choice to defer it to another mode<sup>37</sup>. The GATT rounds and the establishment of the WTO are important to the EC-East Asian relationship because this multilateral forum is exactly where failed negotiations are taken to. This is most prominent in the EC-Korea partnership, where everything from telecommunications, liquor, and ship-building has been brought to the WTO for dispute resolution (Dent 1999). The Japanese have also had their own fair share of cases taken to GATT's negotiating mechanisms, although the EC and Japan seem to have had far fewer problems since the establishment of the WTO due to a constantly maturing relationship and a proper dialogue framework. For the EC-China relationship, integration into the WTO has clearly brought the two partners

---

<sup>37</sup> Also see multilateral deference (Dent 2004).



closer together. The EC's role in helping China make a case of WTO entry has clearly bought them favours with the Chinese, a fact reflected in the two becoming mutually each other's most important trading partners in recent years.

Finally, other regional integration efforts have also had some mixed effects on the EC East Asian relationship, also varying the balance in material interest, institutions and ideas. ASEAN has proven to be a respected political integration process among the members of Southeast Asia and has been responsible for the stability of the region ever since its conception in 1967. The grouping has allowed the EC to deal collectively in a relatively effective manner with a group of extremely diverse nations, establishing a dialogue which led on to the creation of ASEM and the inclusion of Japan, China and the ROK. The establishment of APEC in 1989 signalled a blatant exclusion of the EC in East Asia and possibly was a stimulant in the creation of ASEM in 1996. ASEAN's enlargement to include Myanmar had strong political effects on ASEM, and consequently ASEM enlargement. The inclusion of Myanmar into the dialogue presents some serious complications and has threatened to stall the multilateral ASEM process. The ASEAN Regional Forum and the inclusion of the European Union in the forum might have instilled a further degree of mutual trust and a continuing framework for a dialogue between the EC and East Asia as well.

## *Re-evaluating Cooperation*

### Coexistence of Bilateralism and Multilateralism – Obscurity and Confusion

The questions and propositions raised in Chapter 3 noted how the evolution of cooperation could be put at risk when either the mode of cooperation or mutual interests is unclear (or when they coexist). The problems of obscurity over modes of cooperation and mutual interest are particularly obvious in the ASEM process, perhaps leading to stagnation in the EC-East Asian multilateral evolution of cooperation. It also appears to have plagued the EC-ROK partnership to some extent. The opposite, however, is true with the EC's bilateral partnership with China and Japan where both sides appear to have settled on material interests to govern the cooperation process.

The presence of a multilateral ASEM introduces particular confusion, due to its highly ideational nature. The existing confusion over the mixture of European and Asian ideas and values already present in the ASEM process is already problematic in one sense. The fact that these strongly varied ideas and values are also mixed with the material side of bilateral relationships presents an increased complication because it creates high expectations which are not grounded in reality.

The lack of clarity and confusion due to the mix of material interest and ideational concerns is particularly detrimental to the ASEM multilateral relationship. Despite providing the opportunity to base the partnership on ideas, indifference has plagued ASEM, and this is due to the East Asians' misunderstanding that the strongly ideational forum would actually lead to further gains in material interest. The ASEM forum may well increase dialogue, encourage democratisation, and promote human rights, all through equal partnership, but expectations have always been that overall trade interaction needs to increase (Hwee 2002: 2-3). This has been East Asia's expectation of ASEM, although it has not been realised because Japan (and ASEAN) has actually lost out in terms of its relative importance as an EC trading partner



(Helsinki 2006). As noted in Chapter 6, a similar sense of dissatisfaction over ASEM also exists on the EC side, which has hoped to increase the political dialogue with East Asia to a more significant level. The Asian ASEM members have firmly refused to enter into any discussion on sensitive political issues, effectively blocking any attempts for an evolution of cooperation in terms of ideas in the ASEM process.

This clash between material interest and ideational advances within the ASEM process due to different priorities among the partners has thwarted, to a certain degree, the opportunity for the evolution of cooperation in multilateral terms. The main reason for this is clearly due to the disagreement, confusion and progressively reduced clarity on exactly what the main purpose of ASEM is (Hwee 2003, 2004). This disparity between the European and East Asian views on the ASEM objective is a serious challenge for the future progression and cooperation in the ASEM forum.

A similar dilemma appears to exist in the bilateral mode of cooperation due to the strong material incentives clearly present in the EC-East Asian bilateral relationships. In bilateral relationships, ideas and values are gradually introduced as a part of the maturing and institutionalising partnership. In each of the East Asia cases, particularly in the EC's partnership with China and Japan, material interests have led the evolution of cooperation and subsequently resulted in further institutionalization as well as some insertion of ideas into the partnership. The ideational side of each partnership has not proven to be a threat to any material interests and in most cases, has usually proven conducive to the promotion of further material interests. The EC's encouragement for China's WTO entry is a case in point, where integration of the Chinese into the world trade system benefited both sides of the partnership, materially, institutionally, and ideationally. Human rights issues have been increasingly discussed in the EC's strategic documents on China, although the approach has been relatively unobtrusive and the focus on trade is maintained (see Chapter 6: rhetorical analysis section). In the case of the EC and Japan, a maturing relationship has subsequently developed the political dialogue, although any talks on ideas and

values have been extremely cautious and limited. The EC's desire for Japan's increased participation as a global leader has been gradually introduced into the partnership and is far from being a binding condition for cooperation to continue between the partners. As for the EC-ROK partnership, the EC's lack of relative material interest has meant that the evolution of cooperation has been equally slow on the institutional and ideational sides.

The questions and propositions presented in Chapter 3 concentrated on balances in the material, institutional and the ideational elements and the shifting of balance between bilateralism and multilateralism according to those elements. The questions and propositions also allowed for the explanation that partners may be engaged in both bilateralism and multilateralism together simultaneously, or that both modes of cooperation could survive and coexist. In the real GPE, a clear divide between bilateralism and multilateralism is a false dichotomy since actors are usually expected to engage in both modes of cooperation. Due to the role of commitment, trust, and codes of conduct, actors are expected to continue to engage in cooperation even when they feel that their material, institutional, or ideational pursuits are not being achieved. In other words, even if a mode of cooperation has been disappointing for a partner, commitment and codes of conduct developed throughout the years of interaction will have a role in sustaining a stagnating mode of cooperation.

The 'imaginary' analytical divide in modes of cooperation has however helped us to explain under what conditions one mode of cooperation may take on a more active form while the other mode remains passive. Commitment and codes of conduct are enough to sustain a partnership in the case that it has failed on the material, institutional, and ideational fronts, but they are not sufficient to foster further evolution of cooperation. This section notes how the EC-East Asian partnership has taken on the direction of active bilateralism dominated by material interest with passive multilateralism simultaneously remaining as an alternative, should ideas become more important in the partnership.



## Active Bilateralism

EC-East Asian relations have certainly evolved over the past five decades and the form they have taken is a certain reflection of the various balances in conscious and unconscious policy choices made between shifting modes of cooperation and material or ideational interests. These choices are affected strongly, as suggested earlier, by the dynamic elements of cooperation (evolutionary nature of actors, the evolutionary nature of a hierarchical international system, and the bilateral and multilateral modes of cooperation). Finally, the establishment of accepted principles of conduct has also been derived from the history of interaction between the EC and the East Asians, often resulting in a mixture of material interest and ideas being used in the cooperation process. The result of the evolution of EC-East Asian cooperation has been one which currently sees a period of active bilateralism juxtaposed with passive multilateralism.

The evolution of cooperation in the EC-East Asian relationship has seen a strong material basis right from the beginning of any remote interest the partners may have had in each other. A strong degree of institutionalisation in both the bilateral and multilateral relationships explains how the desire for unconstrained material achievement has been controlled. Neorealism and neoliberal institutionalism explicates the EC-East Asian relationship well to a certain extent but fails to provide a justification on how the ASEM multilateral forum has still managed to be sustained. Rational choice also fails to conclusively point out how the EC-Japan relationship, seriously troubled at its initiation, managed to mature and its cooperation sustained despite serious periods of high tension conflict and trade imbalances. Similarly, the EC's ambition to enter into an early friendly partnership with China, despite its fledgling economy in the 1950s and status as a non-market economy, cannot be entirely argued through neorealism and neoliberal institutionalism alone.

Principles of cooperation embedded in Wendt's form of social constructivism as well as Axelrod's evolution of cooperation theory serve to

explain some of these rational choice anomalies. The EC's desired identity as both an economic and a political powerhouse has been a factor in its attempts to make certain that its conduct of external relations is not only based on material factors, but ideational ones as well. The propensity and reputation of certain East Asian states to cooperate, as in the case of Japan, mean that additional trust has become a part of the relationship and contributes to the sustainability of cooperation. The opposite has been true for the EC and the ROK. In the case of the EC and China, a friendship has been established based on the partner's long term acceptance of each other. Meanwhile, the sustainability of the multilateral ASEM process has been based on a strong degree of ingrained ideas as well as its strong institutional nature.

Despite the rational choice anomalies in the EC-East Asian relationship, the partners appear to have opted toward placing priority on their common material interest, an exercise which has seen them head towards a period of active bilateralism. The EC-East Asia relationship has proven, over the years, to be based almost entirely on the common ambition for increased trade between the regions. While some politicisation of the process has taken place, this has been mainly a consequence from the influences of trade. Similarly, any established dialogue or institutions are created as a mechanism to carry out the primary common material interest and to ensure that both sides are guaranteed reciprocal treatment.

Given the empirical evidence, a period of active bilateralism has ensued whereby trade issues hold priority in the evolution of cooperation and reciprocity is a requirement. The issues of institutions, values and ideas are factors which might enter this active bilateralism as a secondary influence in order to sustain the evolution of cooperation. More importantly, whether cooperation thrives in the evolution of active bilateralism depends strongly on accepted principles of conduct which include the partners' reputations, the consistency of dialogue, and whether negotiations usually conclude in a reciprocal manner. These have been factors which have consistently sustained the EC-Japan and EC-China relationships in the past. The failure to meet the accepted principles of conduct,



compounded with reduced material interest on the part of the EC and the lack of common ideas or values means that the EC-ROK bilateral relationship has receded into defection.

### Passive Multilateralism

While an active and ongoing bilateral cooperation process dominates the EC-East Asian relationship, the ASEM process can only be described as passive multilateralism. During the course of the relationship and the creation of great expectations for ASEM during the Asian economic boom, the partners may not have acknowledged that the true purpose of ASEM may have simply been to encourage bilateralism. As such, one might suggest that ASEM as a passive multilateral forum may well not be considered a failure, since its role has always been to stimulate and sustain growth in bilateral interaction.

ASEM's "failure" is up to interpretation, and it has failed more severely in some areas than it has in others. While trade interaction between the EC and the Asian ASEM members has only increased marginally, leading to its poor reputation as a multilateral forum, a steady process of increased institutionalisation and dialogue has been kept active. The European and East Asian partners are continually engaged in a series of meetings between top level bureaucrats and political leaders, convening as often as twice a year. At ASEM summits, sensitive political dialogue is undertaken, as well as economic issues, and this is rarely seen at the bilateral level. ASEM is, hence, the only forum where the EC could actively engage the East Asians in a dialogue on issues which would be almost impossible to address bilaterally.

The suggestion that passive ASEM multilateralism may have led to a relatively successful set of EC-East Asian bilateral relationships is misleading for several reasons. First, trade data indicates that Japan (and ASEAN) has actually declined in importance as a trade partner for the EC. Secondly, the ASEM forum has not had any role in ameliorating or mediating any major bilateral trading

conflicts, with the instance of the EC-ROK shipbuilding conflict being one of the most striking cases. Thirdly, the successful and maturing relationships between the EC vis a vis Japan and China have been attributable more to bilateral institutionalisation developed long before the initiation of ASEM than to any initiatives started by the multilateral forum.

For these reasons, ASEM is a passive multilateral mode of cooperation which has had limited benefit, particularly in the material sense, for both sides of the partnership. The passiveness, however, has meant that the European and Asian ASEM members have been able to enter into at least a rhetorical dialogue on political issues. It has also ensured that accepted principles of conduct are agreed on and that both sides are familiarised with each other's sets of ideas and values. These ideas and values have been introduced by both the European and Asian ASEM members into ASEM, and the ASEM process has been conducted around these ideas and values. Last and not least, an extremely intense degree of dialogue and institutionalisation, possibly leading to the dreaded "forum fatigue", might actually be one of ASEM's most useful features. The lack of understanding of ASEM's purpose and value has been the primary factor keeping this multilateral forum from further progression.

The concise summary of the significance of this multilateral mode of cooperation is that while only marginally important, the evolution of cooperation between the EC and East Asia would have been different without ASEM. The relationship would have been one with a smaller degree of trust, much less dialogue, and a low level of caring and familiarity for each other. Although passive, the presence of the multilateral mode of cooperation in the EC-East Asian evolution of cooperation is justified just because of the manner in which ASEM has gradually introduced ideational values into the relationship. These have been important in shaping the behaviour of the partners as well as to ensure that dialogue continues, even amid instances of conflict.



## *Revisiting the Key Questions and Propositions*

### Limitations of the Study

Before going on to revisit the key questions and propositions, a little needs to be said about the limitations of this study. There are four key areas which need to be clarified and concerns the lack of theoretical parsimony, the necessarily broad nature of this research, the singular focus on the EC's perspective on solely the EC-East Asian relationship, and the artificial divide between bilateralism and multilateralism.

Firstly, the lack of theoretical parsimony would come under strong criticism from devout neorealists and neoliberal institutionalists. In other words, this research could be accused of not being able to take a definitive theoretical stance and to develop a confident set of proposals based on that stance, an accusation which has also been placed on scholars of social constructivism. Legro and Moravcsik noted the importance of parsimony, or inclusions and exclusions, by arguing that theoretical paradigms need to be kept distinct from each other in order to encourage further debate. They explain that this is the only way 'we can speak meaningfully of testing theories and hypotheses drawn from one paradigm against one another, or about the empirical progress or degeneration of a paradigm over time' (Legro and Moravscik 1999:11). Having said this, Moravscik also argues for the need of theory synthesis, stating that 'it is not only possible and desirable but is constitutive of any coherent understanding of international relations as a progressive and empirical social science' (Moravscik 2003: 131). The key issue, he elaborates, is 'whether pluralism among existing theories ought to be preserved for its own sake' or 'whether theories ought to be treated as instruments to be subjected to empirical testing and theory synthesis' (Moravscik 2003: 131). Moravscik encourages the latter approach, which is the direction this thesis has taken.

Secondly, this thesis has covered effectively what could be counted as four different interregional relations (three EC-East Asian bilaterals and ASEM) and the vast material which needed to be covered has meant that this research could not have gone to further depths. The research has been designed to cover as much as possible, the highlights in these relationships through vertical (across the relationships) and horizontal (between the relationships) examinations. The questions raised about the evolution of interregional cooperation could be taken into far greater detail on the various partnerships offered. For material interests, for example, sector trade data could be used to enhance our understanding of which areas the actors may feel are most important to their material interests. Strategic documents analysis in this thesis has been primarily from the EC point of view and although it has been argued that some of the documents are negotiated, it would be interesting to examine the East Asian strategic documents and specific policies for the EC to see how the East Asian side perceives the material, institutional, and ideational balances. The analysis could also be expanded to include security issues, which are becoming increasingly important, particularly with China. This thesis has, however, taken the view that at the present stage, trade issues are far more important than political issues in the EC-East Asian partnership.

Thirdly, the limitations of this thesis means that although the questions asked about cooperation and interregionalism might be applied to a number of interregional partnerships in the world, the empirical evidence assembled cannot be used to make claims beyond the EC-East Asian bilateral and multilateral interregional partnerships. Potentially, the questions asked could help us to understand why multilateral entities such as the UN and the WTO as well as regional cooperation efforts such as APEC, AFTA, the African Union, and Mercosur are becoming increasingly stagnated. As neorealists and neoliberal institutionalists would note, material interests continue to be the primary concern of most actors and the GPE's turn towards bilateralism is a proof of this claim. While this turn towards bilateralism appears to be a trend in the GPE and the third wave of regionalism, a great deal of in-depth empirical studies on other



interregional partnerships needs to be conducted. This thesis has only been able to use the EC-East Asian partnership to provide further insights into interregional cooperation.

Finally, the research's aim in trying to find the balance between bilateralism and multilateralism has necessitated a dichotomous analysis of these two modes of cooperation. It is clear, both from emerging literature and the findings of this research, that the two modes are nested within each other and need to be considered in parallel to each other. This Conclusion chapter has been able to consider bilateralism and multilateralism together as a parallel process, but the empirical parts of the thesis were methodologically prevented from doing so. As a result, any study of this nature would have benefited from a direct empirical study of the ways in which the two modes of cooperation are indeed nested in each other. An example would be Smith's analysis of the EU-US bilateral interregional partnership where it was argued that the multilateral setting eventually led to further bilateral engagement (Smith 2005).

Despite these limitations, a number of further insights have indeed come out from the eclectic theoretical approach and these are proposed in the following section.

#### Further Insights to Interregional Cooperation

In raising the key question and propositions, this thesis argued a number of closely linked ideas. Firstly, it was argued that the central problematics of IPE had overlapping ideas which noted how material interest, institutions and ideas were the primary factors which appear to dictate cooperation processes and outcomes. Secondly, this thesis proposed Axelrod's findings on cooperation as explicit means to derive propositions on the nature of cooperation and interregionalism as well as to evaluate the conditions under which actors will cooperate. Finally, a set of questions and propositions suggested further empirical exploration on whether the best condition for cooperation would be

located either in bilateralism, framed by material interest, or possibly in multilateralism, framed by ideas. A further issue to be explored was whether partnerships existing in the GPE would fall somewhere in between these optimal conditions, and the more clear-cut the mode of cooperation and the mutual interests are, the more the evolution of cooperation would take place. Also requiring empirical observation is the suggestion that failing an agreement on the mode of cooperation and mutual interests, institutions would help to sustain the evolution of interregional cooperation.

After the empirical tests, it appears that an eclectic approach to understanding interregional cooperation which combined neorealism, neoliberal institutionalism, social constructivism, and Axelrod's ideas on cooperation has helped to increase our insights. By avoiding inclusions and exclusions, one could argue that the rational choice and predominantly material concerns inherent in neorealism and neoliberal institutionalism are far from being the only correct way to understand cooperation. Likewise, the questions raised by IPE and interregionalism also helped to provide concrete propositions on cooperation, something which social constructivists refuse to do.

The insights based on the empirical evidence assembled from the EC-East Asian bilateral and multilateral interregional cases suggest that cooperation needs to be understood through the various 'balances' between material interest, institutions, and ideas. The EC-East Asian partnership, for example, will lean towards either materialism or ideas. Through these conditions for cooperation, a bilateral or multilateral mode of cooperation was be pursued. Traditional IPE theory makes some indirect links to this balance, but the theories do not explicitly explain how bilateralism is closely linked to material interest and multilateralism is sustained through ideas. This understanding helps us to further analyse, for example, the increasing trends towards framing of bilateral free trade agreements between the EC and East Asia.

The empirical evidence assembled from the EC-East Asian case studies also generates further propositions to how ideas influence cooperation within the GPE. Social constructivism urges us to consider ideas as an important factor



within the cooperation process, but does not make explicit proposals on how ideas or the social construct of agents can affect cooperation. This thesis has instead argued that under the correct conditions within the EC-East Asian interregional partnership, ideas can indeed sustain cooperation, although multilateralism as conducted through ASEM is the preferred mode of cooperation suited to the sustenance of ideas. When the partners are interacting within a bilateral environment, which will normally be based very strongly on material interest, the introduction of ideas into the balance could serve to confuse the actors and become an obstacle to cooperation.

We are also presented with an increased understanding of the role of institutions for cooperation in the EC-East Asian partnership. Firstly, they can exist alongside material as well as ideational concerns. Neoliberal institutionalism makes little mention of ideas, although values and codes of conduct can be considered to be closely linked to the notion of ideas. Importantly, institutions play a central role in constraining material interest and ideas in a partnership as well as to sustain failing partnerships. Secondly, and in contrast to ideas presented by neoliberal institutionalists, institutionalisation does not guarantee cooperation. If the mode of cooperation and the mutual interests are not set out clearly enough, institutions will only serve to sustain the partnership to a certain extent. In other words, for cooperation to truly thrive, institutions must be coupled with the partnering actors' agreement on whether to pursue material interests or ideas, and consequently, bilateralism or multilateralism.

With the presentation of the various balances in the evolution of cooperation, it is also clear that EC-East Asian interregional displays the indivisibility of material interest, institutions and ideas as well as bilateralism and multilateralism. To be precise, the factors influencing cooperation and the modes of cooperation exist alongside each other and affect one another. It would be distorting the analysis of cooperation if one were to claim that only a single factor among material interest, or institutions, or ideas affects cooperation. Unlike some claims derived from IPE theory, our understanding of cooperation needs to consider all of these factors together and note how the balances affect the

evolution of cooperation. This thesis has also taken note of how bilateralism and multilateralism can coexist as well as how a failing mode of cooperation can be sustained through the role of commitment and codes of conduct. The questions raised by IPE and interregionalism have helped in understanding how, if both modes of cooperation exist together, a partnership may take a preference towards one either bilateralism or multilateralism depending on the material, institutional and ideational influences involved.

Finally, our understanding of the fluctuating nature of cooperation is further enhanced by the notion of the dynamic elements of cooperation present within EC-East Asian interregionalism. The evolutionary nature of actors, the evolutionary nature of a hierarchical international system, and the available modes of cooperation play a very important role in shifting the balance between materialism, institutions, and ideas. This means that cooperation does not stay constant. It also means that when one considers the fluctuation in cooperation, we can point towards a number of dynamic elements which may have caused the shift. This enables us to directly understand why, how and when cooperation has fluctuated.

Apart from balances, this thesis has made use of precise focusing on ideas on cooperation generated by IPE theory as well as trends and trajectories in the empirical focus. This focus has been necessary to enable this research to manage a wide range of IPE theories as well as four case studies (bilateral and multilateral). The purpose of this focus has been to provide answers to questions and propositions raised by IPE and interregionalism through the use of historical highlights, trade statistics, institutional developments, and strategic documents.

Finally, applying the same questions and propositions on cooperation and interregionalism to other interregional relationships would serve to enhance our understanding of cooperation to a greater degree. An analysis based on the same questions and propositions generated by IPE and interregionalism of ASEAN's partnership with the EC, China, and Japan would provide some alternative insights into cooperation, especially since ASEAN has a long history and a much less integrated institutional structure than the EC. There have also



been suggestions that the EC-Mercosur partnership has stagnated due to the strengthening of the EC-Brazil partnership, an issue which may link to the increased weight on the material interest elements in the EC's Latin America partnerships. Similarly, the EC's revised Cotonou Agreement for the African, Caribbean, and Pacific states show the use of conditionality, a clear sign of an attempt to focus more strongly on the ideational elements of the partnership. Applying the same questions on the evolution of cooperation presented in this thesis to interregional partnerships other than the EC-East Asian one would equally provide further insights into cooperation and interregionalism.

## *Bibliography*

### Official Documents

ASEM Foreign Ministers (1997a), "Chairman's Statement", Singapore.

ASEM Finance Ministers (1997b), "Chairman's Statement", Bangkok.

ASEM Economic Ministers' Meeting (1997c), "Chairman's Statement", Makuhari.

ASEM Foreign Ministers (1999a), "Chairman's Statement", Berlin.

ASEM Finance Ministers (1999b), "Chairman's Statement", Frankfurt.

ASEM Economic Ministers' Meeting (1999c), "Chairman's Statement", Berlin.

ASEM Foreign Ministers (2001a), "Chairman's Statement", Beijing.

ASEM Finance Ministers (2001b), "Chairman's Statement", Kobe.

ASEM Economic Ministers' Meeting (2001c), "Chairman's Statement", Hanoi.

ASEM Foreign Ministers (2002a), "Chairman's Statement", Madrid.

ASEM Finance Ministers (2002b), "Chairman's Statement", Copenhagen.

ASEM Economic Ministers' Meeting (2002c), "Chairman's Statement", Copenhagen.

ASEM Foreign Ministers (2003a), "Chairman's Statement", Bali.

ASEM Finance Ministers (2003b), "Chairman's Statement", Bali.

ASEM Economic Ministers' Meeting (2003c), "Chairman's Statement", Dalian.

ASEM Foreign Ministers (2004), "Chairman's Statement", Kildare.

ASEM Foreign Ministers (2005a), "Chairman's Statement", Kyoto.

ASEM Finance Ministers (2005b), "Chairman's Statement", Tianjin.

Commission of the European Communities, (1977), *"EC-Korea Agreement on Textiles"*, (Brussels: European Community).

Commission of the European Communities, (1978), *"Agreement on Trade and Economic Cooperation between the European Economic Community and the People's Republic of China"*, (Brussels: European Community).

Commission of the European Communities, (1985), *"Agreement on Trade and Economic Cooperation between the European Economic Community and the People's Republic of China"*, (Brussels: European Community).

Commission of the European Communities, (1991), *"Joint Political Declaration on relations between the European Community and its Member States and Japan"*, (Brussels: European Community).



Commission of the European Communities, (1994), *"Towards a New Asia Strategy: Communication from the Commission to the Council"*, Com(94) 314 (Brussels: European Community).

Commission of the European Communities, (1995a), *"A Long Term Policy for China-Europe Relations: Communication of the Commission"*, Com(279) final (Brussels: European Community).

Commission of the European Communities, (1995b), *"Communication from the European Commission to the European Council 'Europe and Japan: The Next Steps'"*, (Brussels: European Community).

Commission of the European Communities, (1996a), *"Regarding the Asia-Europe Meeting (ASEM) to be held in Bangkok on 1-2 March 1996 Communication of the Commission"*, (Brussels: European Community).

Commission of the European Communities, (1996b), *"Agreement on Trade and Economic Cooperation between the European Union and the Republic of Korea"*, (Brussels: European Community).

Commission of the European Communities, (1996c), *"Creating a New Dynamic in EC-ASEAN Relations"*, (Brussels: European Community).

Commission of the European Communities, (1998a), *"Communication from the European Commission to the European Council 'Building a Comprehensive Partnership with China'"*, (Brussels: European Community).

Commission of the European Communities, (1998b), *"Communication from the European Commission to the European Council on EU relations with the Republic of Korea"*, (Brussels: European Community).

Commission of the European Communities, (2000a), *"Report on the Implementation of the (1998) Communication 'Building a Comprehensive Partnership with China'"*, (Brussels: European Community).

Commission of the European Communities, (2000b), *"Perspectives and Priorities for the ASEM Process into the New Decade"*, Working Document, COM(2000) 241.Final, 18 April.

Commission of the European Communities, (2001a), *"EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a more Effective EU Policy: Communication of the Commission to the Council and the European Parliament"*, Com(265) final (Brussels: European Community).

Commission of the European Communities, (2001b), *"Commission Working Document Country Strategy Paper: China"*, (Brussels: European Community).

Commission of the European Communities, (2001c), *"Framework Agreement for Trade and Cooperation between the European Community and its Member States, on the one hand, and the Republic of Korea, on the other hand"*, (Brussels: European Community).

Commission of the European Communities, (2001d), *"Shaping our Common Future: an Action Plan for EU-Japan Cooperation"*, (Brussels: European Community).

Commission of the European Communities, (2001e), background and procedures on trade barrier regulation and Investigation/Korea shipbuilding [Homepage of Commission of the

European Communities], [Online]. Available:

<http://europa.eu.int/rapid/pressreleasesaction.do?reference=MEMO/01/167> [17th February 2005, 2005].

Commission of the European Communities, (2001f), Commission's shipbuilding report shows South Korea has consolidated its lead [Homepage of Commission of the European Communities], [Online]. Available:

<http://europa.eu.int/rapid/pressreleasesaction.do?reference=IP/01/630...> [17th February 2005, 2005].

Commission of the European Communities, (2002a), *An Introduction to the Asia-Europe meeting*, Luxembourg: Office for Official Publications of the European Communities.

Commission of the European Communities, (2002b), *Fourth Asia Europe Meeting Summit in Copenhagen September 22-24 2002 (ASEM4): Unity and Strength in Diversity*, Commission Staff Working Paper, SEC (2002)874, 23 July.

Commission of the European Communities, (2002c), EU to take Korea to the WTO over unfair shipbuilding practices [Homepage of Commission of the European Communities], [Online]. Accessed: [http://europa.eu.int/comm/external\\_relations/south\\_korea/news/ip02\\_1395](http://europa.eu.int/comm/external_relations/south_korea/news/ip02_1395) [17th February 2005].

Commission of the European Communities, (2003a), *"A maturing partnership – shared interests and challenges in EU-China relations: Communication of the Commission to the Council and the European Parliament"*, Com(533) final (Brussels: European Community).

Commission of the European Communities, (2003b), *50 Years of Figures on Europe*, Luxembourg: Office for Official Publications of the European Communities.

Commission of the European Communities, (2003c), *"A new partnership with Southeast Asia: Communication from the Commission"*, COM399/4 (Brussels: European Community)

Official Journal of the European Communities, (2001). **3**. Luxembourg: Office for Official Publications of the European Communities.

The Asia-Europe Summits, (1996), "Chairman's Statement of the First Asia-Europe Meeting", Bangkok.

The Asia-Europe Summits, (1998), "Chairman's Statement of the Second Asia-Europe Meeting", London.

The Asia-Europe Summits, (2000), "Chairman's Statement of the Third Asia-Europe Meeting", Seoul.

The Asia-Europe Summits, (2002), "Chairman's Statement of the Fourth Asia-Europe Meeting", Copenhagen.

The Asia-Europe Summits, (2004), "Chairman's Statement of the Fifth Asia-Europe Meeting", Hanoi



## Secondary Documents

### References

- Abbott, K.W. and Snidal, D., 2000. Hard and Soft Law in International Governance. *International Organization*, **54**(3), pp. 421-456
- Abe, A., 1999. *Japan and the European Union : domestic politics and transnational relations*, Athlone Press.
- Acharya, A., 2003. Will Asia's Past Be Its Future? *International Security*, **28**(3), pp. 149-164.
- Aggarwal, V., Fogarty, E., eds. 2003. *EU Trade Strategies: Between Regionalism and Globalism*. Basingstoke: Palgrave/Macmillan.
- Aggarwal, V., Fogarty, E., 2005. The Limits of Interregionalism: The EU and North America. *Journal of European Integration*, **27**(3), pp. 327-346.
- Albin, C., 2003. Negotiating International Cooperation: Global Public Goods and Fairness. *Review of International Studies*, **29**, pp. 365-385.
- Alker, H.R., 2000. On Learning from Wendt. *Review of International Studies*, **26**, pp. 141-150.
- Allen, T., 2002. *EU Trade with China and Russia. Eurostat Statistics in Focus, Eurostat: European Communities* .
- Allen, T., 2002. *Trade between the European Union and Japan. Eurostat Statistics in Focus, Eurostat: European Communities*.
- Allen, T., 2001. *European Union Trade with the Dynamic Asian Economies. Eurostat Statistics in Focus, Eurostat: European Communities*.
- Allen, D. and Smith, M., 2004. External Policy Developments. *Review of International Political Economy*, **42**(Annual Review), pp. 95-112.
- Allen, D. and Smith, M., 2002. External Policy Developments. *Review of International Political Economy*, **40**(Annual Review), pp. 97-115.
- Amin, A. and Palan, R., 2001. Towards a Non-Rationalist International Political Economy. *Review of International Political Economy*, **8**(4), pp. 559-577.
- Anderson, K., 1997. On the Complexities of China's WTO Accession. *The World Economy*, **20**(6), pp. 749-772.

Anderson, S., 2001. The Changing Nature of Diplomacy: The European Union, the CFSP and Korea. *European Foreign Affairs Review*, **6**, pp. 465-482.

Axelrod, R. and Dion, D., 1998. *The Further Evolution of Cooperation*. *Science*, **24**(2), pp. 1385.

Axelrod, R., 1984. *The Evolution of Cooperation*. Basic Books. New York.

Axelrod, R., 1997. *The Complexity of Cooperation : Agent-Based Models of Competition and Collaboration*. Princeton University Press. Princeton, N.J.

Axelrod, R., 2001. Theoretical Foundations of Partnerships for Economic Development, *World Bank Conference on Evaluation and Development - The Partnership Dimension*, July 23-24 2001, .

Axelrod, R., 2000. On Six Advances in Cooperation Theory, *Analyse and Kritik* **22**, pp. 130-151.

Axelrod, R., 1995. A Model of the Emergence of New Political Actors. In: N. GILBERT and R. CONTE, eds, *Artificial Societies: the Computer Simulation of Social Life*. 1 edn. London: University College Press, .

Axelrod, R., Riolo, R.L. and Cohen, M.D., 2002. Beyond Geography: Cooperation with Persistent Links in the Absence of Clustered Neighborhoods. *Personality and Social Psychology Review*, **6**(4), pp. 341-346.

Axelrod, R., Riolo, R.L. and Cohen, M.D., 2001. Evolution of Cooperation without Reciprocity. *Nature*, **414**, pp. 441.

Barnett, M.N., 2005. Social Constructivism. In: J. BAYLIS and S. SMITH, eds., *The Globalization of World Politics: An Introduction to International Relations*, 3rd edn., Oxford University Press: Oxford, pp. 251-269.

Barnett, M.N. and Duvall, R., 2005. Power in International Politics. *International Organization*. **59** (Winter), pp. 39-75.

Barnett, M.N. and Finnemore, M., 1999. The Politics, Power, and Pathologies of International Organizations. *International Organization*, **53**(4), pp. 699-732.

Bekemans, L., Tsoukalis, L., Collège d'Europe and Hellēniko Kentro Eurōpaikōn Meletōn, 1993. *Europe and Global Economic Interdependence*. College of Europe and European Interuniversity Press. Bruges.

Bhagwati, J., 1991. *The World Trading System at Risk*. Princeton, N.J.: Princeton University Press.



- Binmore, K., 1997. Review of Robert Axelrod's Complexity of Cooperation. <http://jasss.soc.surrey.ac.uk/1/1/review1.html> edn., The Journal of Artificial Societies and Social Simulation: Surrey.
- Bollard, A. and Mayes, D., 1992. Regionalism and the Pacific Rim. *Journal of Common Market Studies*, **30**(2), pp. 195.
- Bond, E.W., Ching, S. and Lai, E.L., 2002. A Game-Theoretic Analysis of China's WTO Accession. Working Paper edn. Australia National University.
- Brenton, P., 2002. The Economic Impact of Enlargement on the European Economy: Problems and Perspectives. *Centre for European Policy Papers Working Document*, 188 October, pp: 1-13.
- Breslin, S., 2003. Growth Without Development: Imagining China's Political Economy. *IPEG Papers in Global Political Economy*, **6**, pp. 3-21.
- Bretherton, C., 1999. *The European Union as a Global Actor*. Routledge. London: .
- Bridges, B., 1999. *Europe and the Challenge of the Asia Pacific : change, continuity and crisis*. Edward Elgar Pub. Cheltenham, UK ; Northampton, MA: .
- Brooks, S.G., 1997. Dueling Realisms. *International organization*, **51**(3), pp. 447-477.
- Brooks, S.G., and Wohlforth, W.C., 2002. International Relations Theory and the Case Against Unilateralism. *Perspectives on Politics*. **3** (3):509-524.
- Buzan, B., 2001. The English School: an underexploited resource in IR. *Review of International Studies*, **27**, pp. 471-488.
- Camroux, D. and Lechervy, C., 1996. Closer Encounter of a Third Kind? The Inaugural Asia-Europe. Meeting of March 1996. *Pacific Review*, **9**(3), pp. 442-453.
- Cerny, P.G., 2004. Mapping Varieties of Neoliberalism. *IPEG Papers in Global Political Economy*, **May**(12), pp. 4-19.
- Chang, H-J. 1993. The Political Economy of Industrial Policy in Korea. *Cambridge Journal of Economics*, **17** (2), pp. 131-157.
- Chavagneux, C., 2001. Economics and politics: some bad reasons for a divorce. *Review of International Political Economy*, **8**(4), pp. 608-632.
- Chenggen, Z. and McGough, S., 2001. China: the politics of 'rational authoritarianism. In: P. PRESTON and J. GILSON, eds, *The European Union and East Asia*. 1 edn. Glos: Edwar Elgar Publishing, pp. 154-169.
- Cherry, J., 2001. *Korean Multinationals in Europe*. Curzon. Richmond.

Cherry, J., 2004. Presentation at Korea – Challenges and Opportunities. East Asia Institute, Cambridge University on the 4<sup>th</sup> March.

Christiansen, T., 1997. Tensions of European Governance: Politicised Bureaucracy and Multiple Accountability in the European Commission. *Journal of European Public Policy*, **4**(1), pp. 73-90.

Clammer, J., 2001. Beyond Orientalism? Culture, power and post-colonialism in Europe-Asia relations. In: P. PRESTON and J. GILSON, eds, *The European Union and East Asia*. 1 edn. Glos: Edward Elgar Publishing, pp. 46-64.

Clark, I. 1999. *Globalization and International Relations Theory*. Oxford University Press. Oxford ; New York: .

Collinson, S., 1999. Issue-systems, 'multi-level games' and the analysis of the EU's external commercial and associated policies: a research agenda. *Journal of European Public Policy*, **6**(2), pp. 206-224.

Conte-Helm, M., 1996. *The Japanese and Europe: Economic and Cultural Encounters*., Athlone: London.

Cooley, A., 2003. Thinking Rationally About Hierarchy and Global Governance. *Review of International Political Economy*, **10**(4), pp. 672-684.

Corden, M.W., 1990. American Decline and the End of Hegemony. *SAIS Review of International Affairs*, **10**(2), pp. 13-26.

Cox, R.W. and Schechter, M.G., 2002. *The Political Economy of a Plural World : Critical Reflections on Power, Morals and Civilization*. Routledge. London; New York.

Daniels, G., 1986. Japan in the Post-War World - Between Europe and the United States. In: G. DANIELS and R. DRIFTE, eds, *Europe and Japan: Changing Relationships Since 1945*. 1 edn. Kent: Paul Norbury Publications, pp. 12-22.

Dent, C.M., 1998. Regionalism in Southeast Asia: Opportunities and Threats for the European Union. *European Business Review*, **98**(4), pp. 184-195.

Dent, C.M., 1999. *The European Union and East Asia : An Economic Perspective*. Routledge. London: .

Dent, C.M., 2002. *The Foreign Economic Policies of Singapore, South Korea and Taiwan*. Edward Elgar. Cheltenham.

Dent, C.M., 2003. From Inter-Regionalism to Trans-Regionalism? The Future of ASEM. *Asia-Europe Journal*, **1**(2), pp 1-13.



Dent, C.M., 2004. The Asia-Europe Meeting and Inter-Regionalism: Toward a Theory of Multilateral Utility. *Asian Survey*, **XLIV** (2), pp. 213-233.

Dieter, H. and Higgot, R., 2003. Exploring alternative theories of economic regionalism: from trade to finance in Asian co-operation? *Review of International Political Economy*, **10**(3), pp. 430-454.

Doctor, M., 2007. Why Bother With Inter-Regionalism? Negotiations for a European Union-Mercosur Agreement. *Journal of Common Market Studies*, **45**(2), pp. 281-314.

Doidge, M., 2007. Joined at the Hip: Regionalism and Interregionalism. *Journal of European Integration*, **29**(2), pp. 229-248.

Drifte, R., 1986. Euro-Japanese Relations: Realities and Prospects. In: G. DANIELS and R. DRIFTE, eds, *Europe and Japan: Changing Relationships Since 1945*. 1 edn. Kent: Paul Norbury Publications, pp. 92-105.

Ethier, W.J., 1998. The New Regionalism. *The Economic Journal*, **108**(449), pp. 1149-1161.

Evers, H. and Kaiser, M., 2001. Two Continents, One Area: Eurasia. In: P. PRESTON and J. GILSON, eds, *The European Union and East Asia*. 1 edn. Glos: Edward Elgar Publishing, pp. 65-90.

Falkner, G., 1998. How intergovernmental are intergovernmental conferences? An example from the Maastricht Treaty Reform. *Journal of European Public Policy*, **9**(1), pp. 98-119.

Farrell, M., 2005. A Triumph of Realism over Idealism? Cooperation Between the European Union and Africa. *Journal of European Integration*, **27**(3), pp. 263-283.

Fatchett, D. 1999. Setting the Agenda for ASEM 2: From Bangkok to London via Singapore. In: W. STOKHOFF and P. VAN DER VELDE, eds, *ASEM: A Window of Opportunity: The Asia Europe Meeting*. Kegan Paul International, pp. 13-18.

Ferguson, N., 2003. Hegemony or Empire. *Foreign Affairs*, **82**(5), pp. 154.

Finnemore, M. and Sikkink, K., 1998. International Norm Dynamics and Political Change. *International Organization*, **52**(4), pp. 887-917.

Finnemore, M. and Sikkink, K., 2001. Taking Stock: The Constructivist Research Program in International Relations and Comparative Politics. *Annual Review of Political Science*, **4**, pp. 391-416.

Fishlow, A., and Haggard, S., 1992. *The United States and the Regionalization of the World Economy*. Paris: OECD Development Center Research Project on Globalization and Regionalization.

Folker, J.S., 2000. Competing Paradigms or Birds of a Feather? Constructivism and Neoliberal Institutionalism Compared. *International Studies Association*, **44**, pp. 97-119.

Forster, A., 2000. Evaluating the EU-ASEM relationship: a negotiated order approach. *Journal of European Public Policy*, **7**(5), pp. 787.

Fort, H., 2003. Cooperation with random interactions and without memory or "tags". <http://www.soc.surrey.ac.uk/JASSS/6/2/4.html> edn., The Journal of Artificial Societies and Social Simulation: Surrey.

Fung, K.C., Iizaka, H. and Tong, S., 2002. Foreign Trade of China, *China's Economy in the 21st Century*, 2002, .

Gilligan, M.J., 2004. Is There a Broader-Deeper Trade-off in International Multilateral Agreements? *International Organization*, **58**, pp. 459-484.

Gilpin, R. and Gilpin, J.M., 2001. Global political economy : Understanding the International Economic Order. Princeton University Press. Princeton, N.J.: .

Gilson, J., 2001. Europe-Asia: the formal politics of mutual definition. In: P. PRESTON and J. GILSON, eds, *The European Union and East Asia*. 1 edn. Glos: Edwar Elgar Publishing, pp. 109-124.

Gilson, J., 2000. Japan and the European Union : a Partnership for the Twenty-First Century? Macmillan; St. Martin's Press. Basingstoke; New York.

Gilson, J., 2004. Weaving a New Silk Road: Europe Meets Asia. In V. K. AGGARWAL and E. A. FOGARTY, eds., *EU Trade Strategies: Between Regionalism and Globalization*, Houndmills, pp.64-92.

Gilson, J., 2005. New Interregionalism? The EU and East Asia. *Journal of European Integration*, **27**(3): 307-326.

Glaser, C.L., 2003. Structural realism in a more complex world. *Review of International Studies*, **29**, pp. 403-414.

Glenn, J., Howlett D., and Poore S., (eds), 2004. *Neo-Realism Versus Culture; A Strategic Debate*. London: Ashgate.

Gosset, D., 2002. China and Europe: Towards a Meaningful Relationship. [http://www.oycf.org/Perspectives/19\\_123102/contents.htm](http://www.oycf.org/Perspectives/19_123102/contents.htm) edn. Overseas Young Chinese Forum. Rockville.

Goto, J. and Hamada, K., 1999. Regional Economic Integration and Article XXIV of the GATT. *Review of International Economics*, **7**(4), pp. 555-570.

Grant, R.W. and Keohane, R.O., 2005. Accountability and Abuses of Power in World Politics. *American Political Science Review*, **99**(1), pp. 29-43.



- Greenwood, J., 1997. *Representing Interests in the EU*. 1 edn. Macmillan. London.
- Grilli, E., 1993. *The European Community and the Developing Countries*. 1 edn. Cambridge University Press: Cambridge.
- Hamilton-Hart, N., 2003. Asia's New Regionalism: Government Capacity and Cooperation in the Western Pacific. *Review of International Political Economy*, **10**(2), pp. 222-245.
- Harrison, L., 2001. *Political Research: An Introduction*. Routledge: London.
- Hasenclever, A., Mayer, P. and Rittberger, V., 2000. Integrating Theories of International Regimes. *Review of International Studies*, **26**, pp. 3-33.
- Hay, C., 2004. Ideas, Interests and Institutions in the comparative political economy of great transformations. *Review of International Political Economy*, **11**(1), pp. 204-226.
- Hänggi, H., 2000. Interregionalism: empirical and theoretical perspectives, *The Pacific Council on International Policy*, Conference Paper, Los Angeles.
- Helleiner, E., 2003. Economic liberalism and its Critics: The Past as Prologue? *Review of International Political Economy*, **10**(4), pp. 685-696.
- Hemmer, C. and Katzenstein, P.J., 2002. Why is There No NATO in Asia? Collective Identity, Regionalism, and the Origins of Multilateralism. *International Organization*, **56**(3), pp. 575-607.
- Herrman, R.K. and Shannon, V.P., 2001. Defending International Norms: The Role of Obligation, Material Interest, and Perception in Decision Making. *International Organization*, **55**(3), pp. 621-654.
- Hettne, B., 2001. "Regional Co-operation for security and development in Southern Africa". In: Vale, P., Swatuk, L. A. and Oden, B., eds., *Theory, Change and Southern Africa's Future*. New York: PALGRAVE.
- Hill, C., ed, 1996. *The Actors in Europe's Foreign Policy*. 1 edn. Routledge, London.
- Hill, C., 1992. The Capabilities-Expectations Gap or Conceptualizing Europe's International Role. *Journal of Common Market Studies*, **31**(3), pp. 305-328.
- Hill, C. and Smith, M., eds. 2005. *International Relations and the European Union*. Oxford: Oxford University Press.
- Hilpert, H.G., 1998. Economic Interactions. In: H.W. MAULL, G. SEGAL, J. WANANDI, eds., *Europe and the Asia Pacific*, Routledge: London and New York.
- Hix, S., 1999. Interest Representation. In: S. HIX, ed, *The Political System of the EU*. 1 edn. Hampshire: Palgrave, .

Hobson, J.M. and Ramesh, M., 2002. Globalisation Makes of States What States Make of It: Between Agency and Structure in the State/Globalisation Debate. *New Political Economy*, **7**(1), pp. 5-21.

Hoffman, J., 1998. *Sovereignty*. Open University Press. Buckingham England: .

Hoffman, J., 1995. *Beyond the state : an introductory critique*. Polity Press; Blackwell. Cambridge, UK; Cambridge, MA: .

Hoffman, J., 1984. The Gramscian challenge : Coercion and Consent in Marxist political Theory. B. Blackwell. Oxford.

Holland, M., 2002. *The European Union and the Third World*. Palgrave/Macmillan: Basingstoke.

Hook, G.D., 2001. Japan's International Relations : Politics, Economics and Security. Routledge. London.

Huang, D.W.F., 2002. On Institution Building of the European Union and Asia-Pacific Economic Cooperation, *Exploring Federalism and Integration - the EU, Taiwan, China and Korea*, 26th-27th October 2002 2002, Strategic Alliance for Asian Studies pp1-18.

Hwee, Y.L.H., 2002. The Asia-Europe Meeting (ASEM): From Selective Engagement to Comprehensive Partnership. *SUDOSTASIEN aktuell* Special Issue 2002. Hamburg: Institute for Asian Studies: Hamburg.

Hwee, Y.L.H., 2003. *Asia and Europe: The Development and Different Dimensions of ASEM*. Routledge; London and New York.

Hwee, Y.L.H., 2004. Dimensions of Asia-Europe Cooperation. *Asia-Europe Journal*, **2**(1), January, Asia-Europe Foundation and Springer-Verlag: Singapore and Heidelberg.

Hwee, Y.L.H., 2006. *The ASEM Framework and EU-East Asia Relations: Potential and Reality*. Paper presented at the Europe in Flux International Conference, University of Melbourne, 6-7 December.

Ikenberry, J.G., 2001. Getting Hegemony Right. *The National Interest*, **63**(Spring), pp. 17-24.

Ishikawa, K., 1990. *Japan and the challenge of Europe*. Pinter, for the Royal Institute of International Affairs. London: .

Jackson, J., 1995. *Singular Europe*. 1 edn. University of Michigan Press. Michigan: .

Jai-Dong, T., 2001. The European Union and China: the benefits of openness in international economic integration. In: P. PRESTON and J. GILSON, eds, *The European Union and East Asia*. 1 edn. Glos: Edward Elgar Publishing, pp. 189-197.

Jervis, R., 1999. Realism, Neoliberalism, and Cooperation: Understand the Debate. *International Security*, **24**(1), pp. 42-63.



Kahler, M., 1995. *International Institutions and the Political Economy of Integration*. Brookings Institution. Washington, D.C.

Kahler, M., 2000. Conclusion: The Causes and Consequences of Legalization. *International Organization*, **54** (3), pp. 661–683.

Kahler, M. and Lake, D.A., 2003. *Governance in a global economy : political authority in transition*. Princeton University Press. Princeton, NJ: .

Kang, D.C., 2003. Getting Asia Wrong: The Need for New Analytical Frameworks. *International Security*, **27**(4), pp. 57-85.

Kang, D.C., 2003. Hierarchy, Balancing and Empirical Puzzles in Asian International Relations. *International Security*, **28**(3), pp. 165-180.

Kapur, H., 1990. *Distant Neighbours: China and Europe*. 1 edn. Pinter Publishers. London.

Kapur, H., 1986. *China and the European Economic Community : The New Connection*. Nijhoff. Dordrecht ; Lancaster.

Katzenstein, P. J. ,1997. Introduction: Asian Regionalism in Contemporary Perspective. In: P. J. Katzenstein and T. Shiraiishi (eds) *Network Power: Japan and Asia*, Ithaca: Cornell University Press.

Keohane, R.O., 1984. *After Hegemony: Cooperation and Discord in the World Political Economy*. Princeton University Press: Princeton, NJ.

Keohane, R.O., 1989. *International Institutions and State Power: Essays in International Relations Theory*. Westview: Boulder, Colorado.

Keohane, R.O., 2000. Ideas Part-Way Down. *Review of International Studies*, **26**, pp. 125-130.

Keohane, R.O. and Martin, L.L., 1999, Institutional Theory, Endogeneity, and Delegation. Paper prepared for 'Progress in International Relations Theory: A Collaborative Assessment of Application of Imre Lakatos's Methodology of Scientific Research Programs, January 15-16, 1999, Scottsdale, Arizona.

Keohane, R.O. and Moravcsik, A., 2000. Legalized Dispute Resolution: Interstate and Transnational. *International Organization*, **54**(3), pp. 457-488.

Keohane, R.O. and Waltz, K.N., 2000. The Neorealist and His Critic. *International Security*, **25**(3), pp. 204-205.

Keohane, R.O. and Nye, J.S., 2001. *Power and interdependence*. 3rd edn. Longman. New York.

Keohane, R.O., Nye, J.S., and Hoffman S., eds., 1993. *After the Cold War: International Institutions and State Strategies in Europe*. Harvard University Press: Massachussets.

Keukeleire, S., 2003. The European Union as a Diplomatic Actor: Internal, Traditional and Structural Diplomacy. *Diplomacy and Statecraft*, **14**(3), pp. 31-56.

Kindleberger C., 1973. *The World in Depression. 1929-39*. University of California Press, Berkeley.

Kokko, A., 2002. Export-led Growth in East Asia: Lessons for Europe's Transition Economies, *Asia-Pacific Studies in Australia and Europe: A Research Agenda for the Future*, 5-6 July 2002, pp1-34.

Krasner, S.D., 1983. *International Regimes*. Cornell University Press: Ithaca.

Krasner, S.D., 2000. Wars, Hotel Fires, and Plane Crashes. *Review of International Studies*, **26**, pp. 131-136.

Krasner, S.D., 1999. *Sovereignty : Organized Hypocrisy*. Princeton University Press. Princeton, N.J.

Krenzler, H., 2002. The 4th ASEM Summit in Copenhagen. Paper presented in Barcelona 28th November 2002 for the Cooperation between Asia-Pacific, Latin America, and Spain Conference.

Krishna, P., 1998. Regionalism And Multinationalism: A Political Economy Approach. *The Quarterly Journal of Economics*, **113**(1), pp. 227-251.

Kupchan, C.A., 1994. *The Vulnerability of Empire*. Cornell University Press: Ithaca, N.Y.

Kwa, A., 2002. Power Politics in the WTO: Developing Country Perspectives on Decision-making Processes in Trade Negotiations. Focus on the Global South: Bangkok.

Lahteenmaki, K., and Kakonen, J., 1999. Regionalization and its Impact on the Theory of International Relations. In: B. Hettne, A. Inotai, and O.Sunkel, eds., *Globalism and the New Regionalism*. Macmillan: Basingstoke.

Laird, S., 1999. Regional Trade Agreements: Dangerous Liaisons?. *The World Economy*, **22**(9), pp. 1179-1999.

Lamy, P., 2002. Stepping-Stones or Stumbling-Blocks? The EU's Approach Towards the Problem of Multilateralism and Regionalism in Trade policy. *The World Economy*, **25**(10), pp. 1399-1414.

Langenhove, L., Costea, A-C., 2005, The EU as a Global Actor and the Emergence of 'Third Generation' Regionalism. *UNU-CRIS Occasional Papers*, 0-2005/14, pp. 1-21.



Lawson, S., 2001. The Cultural Politics of Contemporary Asia-Europe Relations. In: P. PRESTON and J. GILSON, eds, *The European Union and East Asia*. 1 edn. Glos: Edwar Elgar Publishing, pp. 29-45.

Lawton, T.C., Rosenau, J.N. and Verdun, A., 2000. Strange power : Shaping the Parameters of International Relations and International Political Economy. Ashgate. Aldershot.

Lee, H., Lloyd, P.J. and Koo, C., 2002. New Regionalism in East Asia and its Relationship with the WTO and APEC. *International Area Review*, **5**(2), pp. 87-103.

Lee, J. and Park, I., 2005. Free Trade Areas in East Asia: Discriminatory or Non-discriminatory? *The World Economy*, **28**(1), pp. 21-48.

Lehman, J.P., 1998. Economic Interactions. In: H.W. MAULL, G. SEGAL, J. WANANDI, eds., *Europe and the Asia Pacific*, Routledge: London and New York, pp. 55-84.

Legro, J.W. and Moravcsik, A., 1999. Is Anybody Still a Realist? *International Security*, **24**(2), pp. 5-55.

Leifer, M., 1998. Europe and Southeast Asia. In: H.W. MAULL, G. SEGAL, J. WANANDI, eds., *Europe and the Asia Pacific*, Routledge: London and New York, pp. 198-212.

Lim, P., 2001. The Unfolding Asia-Europe Meeting (ASEM) Process. In: P. PRESTON and J. GILSON, eds, *The European Union and East Asia*. 1 edn. Glos: Edwar Elgar Publishing, pp. 91-108.

Lipson, C., 1984. International Cooperation in Economic and Security Affairs. *World Politics*, **37** (October), pp. 1-23.

Manners, I., 2002. Normative Power Europe: A Contradiction in Terms? *Journal of Common Market Studies*, **40**(2), pp. 235-258.

Mansfield, E.D. and Milner, H.V., 1999. The New Wave of Regionalism. *International Organization*, **53**(3), pp. 589-627.

Mansfield, E.D. and Reinhardt, E., 2003. Multilateral Determinants of Regionalism: The Effects of GATT/WTO on the Formation of Preferential Trading Arrangements. *International Organization*, **57**, pp. 829-862.

Marney, J.P. and Tarbert, H.F.E., 2000. Why do simulation? Towards a working epistemology for practitioners of the dark arts. <http://www.soc.surrey.ac.uk/JASSS/3/4/4.html> edn. The Journal of Artificial Societies and Social Simulation: Surrey.

Masaru, Y., 1986. Psychological Aspects of Euro-Japanese Trade Frictions: A Japanese Viewpoint. In: G. DANIELS and R. DRIFTE, eds, *Europe and Japan: Changing Relationships Since 1945*. 1 edn. Kent: Paul Norbury Publications, pp. 48-58.

Maul, H.W. and Ofken, N., 2004. Inter-regionalism in international relations: Comparing APEC and ASEM. *Asia-Europe Journal*, **1**(2), pp. 237-249.

McGillivray, F. and Smith, A., 2000. Trust and Cooperation Through Agent-specific Punishments. *International Organization*, **54**(4), pp. 809-824.

McQueen, M., 2002. The EU's Free-trade Agreements with Developing Countries: A Case of Wishful Thinking?. *The World Economy*, **25**(9), pp. 1369-1385.

Meunier, S. and Nicolaides, K., 2000. European Union Trade Policy: Exclusive VS Shared Competence Debate. In: M.G. COWLES and M. SMITH, eds, *The State of the European Union* 5 edn. Oxford: Oxford University Press, .

Meynell, B., 1982. Relations with Japan: The Problem and the European Community's Response. In: L. TSOUKALIS and M. WHITE, eds, *Japan and Western Europe*. 1 edn. London: Frances Pinter, pp. 100-118.

Milner, H., 1998. International Political Economy: Beyond Hegemonic Stability. *Foreign Policy*, **110**, pp. 112-124.

Milner, H.V., 1997. Interests, institutions, and information : domestic politics and international relations. Princeton University Press. Princeton, N.J.: .

Milner, H.V., 1988. Resisting protectionism : global industries and the politics of international trade. Princeton University Press. Princeton, N.J.: .

Moon, C., 1994. Changing Patterns of Business-Government Relations in South Korea. In: A. MACINTYRE, ed., *Business and Government in Industrialising Asia*, Allen & Unwin: St. Leonards, N.S.W, pp. 142-166.

Moravscik, A., 1993. Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach. *Journal of Common Market Studies*, **31**(2), pp. 473.

Moravscik, A. and Nicolaidis, K., 1999. Explaining the Treaty of Amsterdam: Interests, Influence, Institutions. *Journal of Common Market Studies*, **37**(1), pp. 59-86.

Moravscik, A., 1999. A New State Craft? Supranational Entrepreneurs and International Cooperation. *International Organization*, **53**(2), pp. 267-306.

Moravscik, A., 1997. Taking Preferences Seriously: A Liberal Theory of International Politics. *International Organization*, **51**(4), pp. 513-553.

Murray, P., ed., forthcoming. *Europe and Asia: Regions in Flux*, Palgrave: Basingstoke.

Nicole, A.F., Regelsberger, E., 2005, The EU and Inter-regional Cooperation. In: C. Hill and M. Smith, eds, *International Relations in the European Union*. Oxford: Oxford University Press.



- O'Riordan, C., 2000. A Forgiving Strategy for the Iterated Prisoner's Dilemma. <http://www.soc.surrey.ac.uk/JASSS/3/4/3.html> edn., The Journal of Artificial Societies and Social Simulation: Surrey.
- Panagariya, A., 1999. The Regionalism Debate: An Overview. *The World Economy*, **22**(4), pp. 477-511.
- Panagariya, A., 2002. EU Preferential Trade Agreements and Developing Countries. *The World Economy*, **25**(10), pp. 1415-1432.
- Park, S.H., 2004., ASEM and the Future of Asia-Europe relations: Background, Characteristics and Challenges. *Asia-Europe Journal*, **2**(3), pp.341-354.
- Pedersen, T., 2002. Cooperative hegemony: Power, Ideas and Institutions in Regional integration. *Review of International Studies*, **28**, pp. 677-696.
- Perreira, R., 2005. The fifth Asia-Europe Meeting (ASEM) summit. An assessment. *Asia Europe Journal*, **3**(1), pp. 17-23.
- Peterson, J. and Bomberg, E., 1999. *Decision-Making in the European Union*. Macmillan Press: London.
- Peterson, J., 1995. Decision-Making in the European Union: Towards a Framework for Analysis. *Journal of European Public Policy*, **2**(1), pp. 69.
- Peterson, J., 1999. *Decision-making in the European Union*. Macmillan. Basingstoke: .
- Peterson, J. and Shackleton M., eds., 2002, *The Institutions of the European Union*. Oxford: Oxford University Press.
- Piei, H., and Khalifah, N.A., 1998, Economic Interactions. In: H.W. MAULL, G. SEGAL, J. WANANDI, eds., *Europe and the Asia Pacific*, Routledge: London and New York, pp. 55-84.
- Piening, C., 1997. *Global Europe : the European Union in world affairs*. Lynne Rienner. Boulder ; London.
- Pomfret, R., (2007), "Is Regionalism is an Increasing Feature of World Economy", *The World Economy*, **30**(6), pp. 923-947.
- Pongvutitham, A., 2003. ASEM CONCERNS: Asians feel 'ignored' by EU trade bloc, in *The Nation* July 26<sup>th</sup>.
- Preston, P., 2001. East Asia: emergent regional dynamics. In: P. PRESTON and J. GILSON, eds, *The European Union and East Asia*. 1 edn. Glos: Edwar Elgar Publishing, pp. 198-218.
- Preston, P., 2001. Europe-Asia linkages: notes towards an historical/structural research agenda. In: P. PRESTON and J. GILSON, eds, *The European Union and East Asia*. 1 edn. Glos: Edwar Elgar Publishing, pp. 219-244.

Preston, P. and Gilson, J., 2001. *The European Union and East Asia : interregional linkages in a changing global system*, 2001, Edward Elgar pp252.

Preston, P. and Gilson, J., 2001. Europe-Asia: regional interlinkages, mutual definitions and formal mechanisms. In: P. PRESTON and J. GILSON, eds, *The European Union and East Asia*. 1 edn. Glos: Edwar Elgar Publishing, pp. 3-28.

Ravenhill, J., 2003. The New Bilateralism in the Asia Pacific. *Third World Quarterly*, **24**(2), pp. 299-317.

Reiterer, M., 2001. ASEM – The Third Summit in Seoul 2000: A Roadmap to Consolidate the Partnership between Asia and Europe, *European Foreign Affairs Review*, **6**, pp. 1-30.

Reiterer, M., 2004. The Role of Education and Culture in Contemporary International Relations. A Challenge for the Asia Europe Meeting. *Asia Europe Journal* **2**, pp. 365-371.

Reiterer, M., 2005, Interregionalism: A new Diplomatic Tool The European Experience with East Asia, *European Union Studies Association Asia-Pacific*, Conference Paper, Tokyo.

Riordan, C.O., 2000. A Forgiving Strategy for the Iterated Prisoner's Dilemma. *Journal of Artificial Societies and Social Simulation*, **3**(4), pp. 1-9.

Roloff, R., 1998. Globalisation, Regionalisation and Balance of Power. In: C. Masala and R. Roloff (eds.) *Challenges of Realpolitik*, Koln: SYH-Verlag, pp. 61-94.

Rousseau, D.L., 1 July 1999. Relative or Absolute Gains: Beliefs and Behavior in International Politics. Paper edn.

Ruggie, J.G., 1998. *Constructing the World Polity : Essays on International Institutionalization*. Routledge. London ; New York.

Ruggie, J.G., 1993. *Multilateralism matters : the theory and praxis of an institutional form*. Columbia University Press. New York.

Rüland, J., 2001, *ASEAN and the European Union: A Bumpy Inter-regional Relationship*, Bonn, *Zentrum für Europäische Integrationsforschung (ZEI)*, discussion paper C95.

Rüland, J., 2002. The European Union as an Inter- and Transregional Actor: Lessons for Global Governance from Europe's Relations with Asia. Paper presented to conference on The European Union in International Affairs, National Europe Centre, Australian National University, 3-4 July.

Rüland, J., 2006. Interregionalism and the Crisis of Multilateralism: How to Keep the Asia-Europe Meeting (ASEM) Relevant? In: *European Foreign Affairs Review*, **11** (1) Spring, pp. 45-62.

Rüland, J., 1996. *The Asia-Europe Meeting (ASEM): Toward a New Euro-Asian Relationship?* (Institut für Politik und Verwaltungswissenschaften, Universität Rostock).



Sapir, A., 2000. EC Regionalism at the Turn of the Millennium: Toward a New Paradigm?. *The World Economy*, **23**(9), pp. 1135-1146.

Santander, S., 2005. The European Partnership with Mercosur: a Relationship Based on Strategic and Neo-liberal Principles. *Journal of European Integration*, **27**(3), pp. 285-306.

Sassen, S., 1996. *Losing Control?*. Columbia University Press: New York.

Schirm, S., 2002. *Globalization and the New Regionalism*. Oxford: Blackwell Publishers.

Schmidt, B.C., 2004. Realism as tragedy. *Review of International Studies*, **30**, pp. 427-441.

Schmidt, V.A., 1995. The New World Order, Incorporated: The Rise of Business and the Decline of the Nation State. *Daedalus*, **124**(2),.

Schmit, L., 2001, .*The ASEM Process: New Rules for Engagement in a Global Environment*. In: W. STOKHOF and P. VAN DER VELDE, eds, *Asian-European Perspectives: Developing the ASEM Process*. 1 edn. London: Curzon Press.

Scholte, J. A., 1996. Globalisation and Collective Identities. In: J. Krause & N. Renwick, eds., *Identities in International Relations*, pp. 38-78, London: Macmillan.

Sekiguchi, S., 1982. Japanese Direct Investment in Europe. In: L. TSOUKALIS and M. WHITE, eds, *Japan and Western Europe*. 1 edn. London: Frances Pinter, pp. 166-183.

Shambaugh, D.L., 1996. *China and Europe, 1949-1995*. Contemporary China Institute, School of Oriental and African Studies, University of London. London.

Shepherd, G., 1982. Japanese Exports and Europe's Problem Industries. In: L. TSOUKALIS and M. WHITE, eds, *Japan and Western Europe*. 1 edn. London: Frances Pinter, pp. 131-153.

Shin, Y.B., 2000. Seoul forum provides momentum for key link between Asia, Europe. *The Korea Herald*, October 22, 2000.

Smith, A., 1999. *Runaway World*. Profile Books: London.

Karen, S., 2005. The EU and Central and Eastern Europe: The Absence of Interregionalism. *Journal of European Integration*, **27**(3), pp. 347-364.

Smith, M.H., 1998. The European Union and Asia-Pacific. In: A. MCGREW and C. BROOK, eds., *Asia-Pacific in the New World Order*. Routledge: London, pp. 289-315

Smith, M.H., 2001. The European Union's Commercial Policy: Between Coherence and Fragmentation. *Journal of European Public Policy*, **8**(5),.

Smith, M.H., 2005. The European Union and the United States: The Politics of Bi-Multilateral Negotiation'. In: O. ELGSTROM and C. JONSSON, eds., *European Union Negotiations: processes, institutions, networks*. Routledge: London, 2005, pp 164-182.

Smith, M.H. and Vichitsorasatra, N., 2007. The European Union as a Foreign Policy Actor in Asia: Defining and Theorising EU-Asia Relations. In: P. ANDERSON and GEORG WIESSALA, eds., *European Studies: A Journal of European Culture, History and Politics, The European Union and Asia*, Rodopi: Amsterdam; New York.

Smith, S., 2000. Wendt's World. *Review of International Studies*, **26**, pp. 151-163.

Soderbaum, F., Stalgren, P., Langenhove, L., 2005. The EU as a Global Actor and the Dynamics of Interregionalism: a Comparative Analysis. *Journal of European Integration*, **27**(3), pp. 365-380.

Sterling-Folker, J., 2004. Realist-Constructivism and Morality. *International Studies Review*, **6** (2) (June 2004). Contribution to a special symposium on "Realism-Constructivism."

Sterling-Folker, J., 2000. Competing Paradigms or Birds of a Feather? Constructivism and Neoliberal Institutionalism Compared. *International Studies Quarterly*, **44** (March): 97-119.

Sterling-Folker, J., (ed.), 2006. *Making Sense of International Relations Theory*. Lynne Rienner Publishers: Colorado.

Strange, R., Slater, J. and Wang, L., 1998. Trade and Investment in China : the European Experience. Routledge. New York, N.Y.

Strange, S., 1996. The Retreat of the State : The Diffusion of Power in the World Economy. Cambridge University Press. Cambridge ; New York.

Strange, S., 1994. States and markets. 2nd edn. Pinter Publishers; Distributed in the USA and Canada by St. Martin's Press. London.

Strange, S., 1986. *Casino capitalism*. B. Blackwell. Oxford, UK ; New York, NY, USA.

Stubbs, R. and Underhill, G.R.D., eds., 2000. *Political Economy and the Changing Global Order*. 2nd edn. Oxford University Press. Don Mills, North York Ontario ; New York.

Stubbs, R. and Underhill, G.R.D, eds. 2005. *Political Economy and the Changing Global Order*. 3<sup>rd</sup> edition, Toronto: Oxford University Press.

Su-Ling, T., 2001. The European Union's commercial policymaking towards China. In: P. PRESTON and J. GILSON, eds, *The European Union and East Asia*. 1 edn. Glos: Edwar Elgar Publishing, pp. 170-188.

Taylor, R., 1990. *China, Japan and the European Community*. Athlone : Fairleigh Dickinson University Press. London.

Tharakan, P. K. M., 2002. European Union and Preferential Arrangements. *The World Economy*, **25** (10), pp. 1387



Thies, C.G., 2004. Are Two Theories Better Than One? A Constructivist Model of the Neorealist-Neoliberal Debate. *International Political Science Review*, **25**(2), pp. 159-183.

Tsoukalis, L., 1997. *The New European Economy Revisited*. 3rd edn. Oxford University Press. Oxford ; New York.

Tsoukalis, L. and White, M., 1982. *Japan and Western Europe : Conflict and Cooperation*. St. Martin's. New York.

Tussie, D. and Woods, N., 2000. Trade Regionalism and the Threat to Multilateralism. In: N. WOODS, ed, *The Political Economy of Globalization*. 1 edn. NY: Palgrave Macmillan, pp. 1-35.

Underhill, G.R.D., 1994. Conceptualizing the Changing Global Order. In: R. STUBBS and G.R.D. UNDERHILL, eds., *Political Economy and the Changing Global Order*, 1 edn. Macmillan Press: London, pp. 17-44

UNIVERSITY OF HELSINKI NETWORK FOR EUROPEAN STUDIES, 2006. ***ASEM in its Tenth Year: Looking Back, Looking Forward***, *An evaluation of ASEM in its first decade and an exploration of its future responsibilities*. Helsinki: University of Helsinki.

Varadarajan, L., 2004. Constructivism, identity and neoliberal (in)security. *Review of International Studies*, **30**, pp. 319-341.

Wallace, H. and Wallace, W., 2000. *Policy-making in the European Union*. 4th edn. Oxford University Press. Oxford England ; New York N.Y., U.S..

Waltz, K.N., 1986. Reflections on Theory of International Politics. A Response to My Critics. In: R. KEOHANE, *Neorealism and Its Critics*. Columbia University Press: New York.

Waltz, K.N., 2000. Structural Realism after the Cold War. *International Security*, **25**(1), pp. 5-41.

Waltz, K.N., 1999. Globalization and Governance. *Political Science and Politics*, **32**(4), pp. 693-700.

Waltz, K.N., 1979. *Theory of international politics*. Addison-Wesley. Reading, Mass. ; London: .

Wang, Y., 2003. Financial Cooperation in East Asia, *Building a New Era of Partnership: EU-Korea Relations 1963-2003*, Wednesday, November 26, 2003, pp. 1-17.

Welse, C., 2002. How to Finance Eastern Enlargement of the EU. German Institute for Economic Research Discussion Paper, DIW: Berlin, pp. 1-18.

Welse, C., Downes, J., McMaster, R., Toepel, I.K., 2001. The Impact of EU Enlargement on Cohesion – Background Report for the Second Report on Economic and Social Cohesion of the European Commission, Study for DG Regio, Berlin and Glasgow.

Wendt, A., 2001. Driving with the Rearview Mirror: On the Rational Science of Institutional Design. *International Organization*, **55**(4), pp. 1019-1049.

Wendt, A., 2000. On the Via Media: A Response to the Critics. *Review of International Studies*, **26**, pp. 165-180.

Wendt, A., 1999. *Social Theory of International Politics*. Cambridge University Press. Cambridge.

Wiessala, G., 2002. *The European Union and Asian Countries*. Sheffield Academic Press: Sheffield.

Wilkinson, E., 1986. The Economic and non-Economic Dimensions of Euro-Japanese Relations. In: G. DANIELS and R. DRIFTE, eds, *Europe and Japan: Changing Relationships Since 1945*. 1 edn. Kent: Paul Norbury Publications, pp. 31-47.

Wilkinson, R., 2004. The Politics of Collapse: Development, the WTO and the Current Round of Trade Negotiations. *IPEG Papers in Global Political Economy*, **June**(15), pp. 3-12.

Wilkinson, E., 1983. *Japan versus Europe : A History of Misunderstanding*. Penguin Books. Middlesex.

Woolcock, S., 2000. European Trade Policy: Global Pressures. In: H. WALLACE and W. WALLACE, eds., *Policy-Making in the European Union*. Oxford University Press: Oxford.

Zehfuss, M., 2001. Constructivism and Identity: A Dangerous Liaison. *European Journal of International Relations*, **7**(3), pp. 315-348.

Zhang, W., 2003. China's Political Transition: Trends and Prospects, EU-China: Implications of the Beijing Summit, 30 October 2003.

## Work Consulted

Gersehonson, C., 2002. Philosophical Ideas on the Simulation of Social Behaviour. <http://www.soc.surrey.ac.uk/JASSS/5/3/8.html> edn., The Journal of Artificial Societies and Social Simulation: Surrey.

Lustick, I.S., 2002. PS-I: A User-Friendly Agent-Based Modeling Platform for testing Theories of Political Identity and Political Stability. *Journal of Artificial Societies and Social Simulation*, **5**(3), pp. 1-39.

Lustick, I.S., 2000. *Agent-based modelling of collective identity: testing constructivist theory*. <http://www.soc.surrey.ac.uk/JASSS/3/1/1.html> edn., The Journal of Artificial Societies and Social Simulation: Surrey.



Nabers,D., 2003. The Social construction of International Institutions: The Case of ASEAN+3. *International Relations of the Asia-Pacific*, **3**, pp. 113-136.

Navon,E., 2001. The 'Third Debate' Revisited. *Review of International Studies*, **27**, pp. 611-625.

Parsons, C., 2002. Showing Ideas as Causes: The Origins of the European Union. *International Organization*, **56**(1), pp. 47-84.

Rosamond, B., 2003. Babylon and on? Globalization and international political economy. *Review of International Political Economy*, **10**(4), pp. 661-671.

Rosendorff, B.P. and Milner, H.V., 2001. The Optimal Design of International Trade Institutions: Uncertainty and Escape. *International Organization*, **55**(4), pp. 829-857.

Scollay, R., 2001. The Changing Outlook for Asia-Pacific Regionalism. *The World economy*, **24**(9), pp. 1135-1160.

Van Der Veen, A. Marits and Lustick, I.S., 2001. *The Emergence of a European Identity: An Agent-Based Modeling Approach, Ideas, Discourse and European Integration*, May 11-12, 2001, pp1-19.

Varadarajan, L., 2004. Constructivism, identity and neoliberal (in)security. *Review of International Studies*, **30**, pp. 319-341.

Wolfe, R. and Mendelsohn, M., 2005. Values and Interest in Attitudes toward Trade and Globalization: The Continuing Compromise of Embedded Liberalism. *Canadian Journal of Political Science*, **38**(1), pp. 48-68.