

**"The US and ASEM: Why The Hegemon didn't Bark"**

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### **Abstract:**

Relationships with the United States and American policy preferences have been important to the Asian and European members of ASEM in its establishment and activities. Yet US policy, business, and media elites have paid little public attention to ASEM. The puzzle is why not. Explanations of inattentiveness or foresight about Asia's economic difficulties are unpersuasive. Instead, American 'silence' fits with a reasoned understanding among internationally oriented policy and business leaders that ASEM has and will pose little in the way of difficulties for their preferences about Asia and the EU for security, civil society, and economic matters. Indeed, the maneuverings in and around ASEM about those three policy areas have been and are likely to continue to be of some modest help to American internationalists. Their domestic persuasiveness benefits from ASEM developments which bolster actions they desire, and reduce pressure for policy positions they wish to avoid or believe are unlikely to gain approval in the American political economy.

Keywords: ASEM, Asia, Europe, hegemony, US.

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## **INTRODUCTION**

“ASEM was formed by ASEAN’s interests and the EU’s fear to restrain American influence in the Asia Pacific...”

Yong-Sang Cho and Chong-tae Chung (1997:19)

“Asia and Europe will score successes at the ASEM forum if they ... succeed in making the US become jealous of Asia-Europe relations.”

Sadahiro Takashi (1997:11)

The US was not present when 10 Asian leaders and their counterparts from the EU and the European Commission held their first-ever summit in Bangkok in March, 1996, and their second in London in April, 1998. Yet at both times and during the intervening period the U.S. was clearly of major concern to the participants, “the invisible third party at the table...”(Godement, Maull, Nuttall and Segal, 1996). For Malaysian policy advisor Noordin Sopiee (1996) the official Asia Europe Meeting (ASEM) launch was a “polite and quiet earthquake” which would make it “that much harder for anyone to kick Western Europe ...and ... East Asia around.” The unnamed kicker was surely the United States.

Neither then or since has either political Washington or economic New York paid much obvious attention to ASEM. None of the telling signs have been evident be they coverage in major media, Congressional hearings, or high profile executive branch statements.<sup>1</sup> The hegemon, to borrow a phrase from the famous Sherlock Holmes’ story, has chosen not to bark.

The apparent discrepancy in attention and interpretation among the points in the great regional triangle of international affairs poses a puzzle. It is compounded by references made in 1996 and since to the U.S. involved Asia Pacific Economic Community (APEC) to which “ASEM was designed to provide a counterweight” (Camroux and Lechervy, 1996), a

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<sup>1</sup> . A search of major electronic information bases for the period from January 1995 through the London ASEM summit of early April 1998 for stories dealing with the subject Asia Europe Meeting found only one article in The Wall Street Journal, two in The New York Times, two in The Christian Science Monitor, and no U.S. Government or Congressional publications

“European and Asian answer to the rapid progress of APEC” (Han, 1997). That counterweight was to extend beyond economic to non-economic and especially security matters (e.g., Stares and Regaud, 1997-98, Shin and Segal, 1997) and overall to constrain unilateralist American tendencies. While some have declared that ASEM was not intended to be “an instrument for the management of the hegemon” (Soeya and Roper, 1997:42), for others in the ASEM related Council for Asia-Europe Cooperation (CAEC) it could help reduce “overdependence” on the US, and “balance the love-hate relationship ...with the USA” (Higgott, 1998:347).

Two of the most obvious explanations for America’s near silence do not seem to hold up. In that of self-centered inattentiveness, lack of direct U.S. involvement deprives events of importance and allows for little claim to response. As a general rule of recent American foreign policy behavior, this explanation runs counter to reactions to other events implying enhanced direct relationships between major non-American players in world affairs. Counter-illustrations include US elite media and official interest in bilateral activity during the ASEM years between Japan and Russia, Japan and China, and the French-German-Russian summit. After all, ASEM has gone much further than these other ‘meetings’ by the standard quasi-institutional signs of joint activity with import for international group formation. While most Americans are inattentive to international matters, there are many specialized policy analysts and policy agenda promoters (such as the ‘Pacific Century’ crowd and the Europe-watchers), large bureaucracies monitoring international affairs both in the field and from Washington, and energetic and highly attentive private sector organizations searching for portents relevant to trade, foreign investment, and world-wide financial markets. The absence of public clamour for an active policy response to ASEM does not preclude the possibility that a clamour could have been created if those internationally attentive communities had wished to try and generate it.

The second unsatisfactory explanation features Asian economic reversals and troubles. It becomes at best modestly compelling only after the first half of 1997. Warning voices about the sustainability of Asian ‘economic miracles’ (Krugman, 1995; 1994), were hardly dominant at the time of the first ASEM summit in the midst of more general emerging market euphoria. There is no substantial evidence to suggest the prevalence of foresight in American

policy circles about the phenomena which flowered well into 1997, or of effort to act through preventive diplomacy on the lessons for East Asia of the 1994 Mexican crisis. More generally, it is hard to give credence to an ostensible American prescience about one region (East Asia) in the face of its considerable absence about the realization of the Euro. One need not reject these two explanations completely to recognize their insufficiency.

Several additional explanations have a reasonable basis compatible with lack of public American policy elite attention. They are not mutually exclusive, but allow their respective proponents to agree on a quiet posture. That is, they would enable a broad coalition to form around a common course of (in)action, a policy consensus based on different analyses and expectations about a variety of particulars. The additional explanations have a common feature -- that the ASEM process posed little for Americans to worry about. Where they differ is with regard to the reasons for that conclusion in support of 'benign neglect'. That conclusion may not always prevail, but policy toward ASEM like policy about most matters takes place in the context of what are at the time widely perceived, credible patterns and signals.

The relevant time period for the American response was not the 'anxiety over decline' late 1980s and early 1990s. It has been that of a successful Uruguay Round and WTO initiation, domestic economic resurgence, liberalizing agreements in APEC, diminished need for military followership by others, self-pronounced security inefficacy by Europeans in the Former Yugoslavia, elaborated security ties with Japan, and the waning of a credible Japanese growth threat. The ASEM years have also been a time of great domestic political pressure in the United States on the official, private sector, and policy intellectual groupings especially in favor of internationalist and multilateral policies. Note the 1994 elected Republican Congress, the subsequent loss of fast-track authority in trade negotiations, hostility toward funding for the United Nations and the IMF, and arrogant economic sanctions measures on trade and investment by third parties with nations held to be enemies of the US (the Helms-Burton and the d'Amato legislation).

In sum, ASEM came along at what has been in American politics and policy a time of alleviated worries about national decline, and high internationalists' need for actions by others to buttress their preferences and arguments. In this context, the lack of apparent American response follows from understandings that it posed no significant threat and would, if anything, help policy elites seeking foreign provided justifications.

### **THE ABSENCE OF THREATS**

For ASEM to pose a threat, it would have to seem to substantially increase Euro-Asian support for courses of action counter to what American policy elites desired or thought could be sold to the Congress (including its Democratic members). In the political-military realm, that could involve: reductions in the importance and desirability of the American military security role in East Asia; reasserted niggardliness in burden-sharing; and the evolution of regional or global security positions bringing together Europeans, East Asians and South Asians to oppose courses of action advocated by the US, refrain from supporting them, or push initiatives viewed as internationally undesirable or domestically politically troublesome by American leaders. For civil society issues, threats could involve proactive measures on human rights and substantial inclusion of their non-governmental organization advocates beyond what the US government was willing to do. Threats also could follow from joint Euro-Asian opposition to moves in such directions advocated by the US, thus exacerbating established tensions in American politics. In the economic domain that might involve: trade diversion with loss of American exports; heightened competition for investment opportunities in East Asia; diminished American importance as an importer of Asian goods; and an Asian or Euro-Asian coalition to block American liberalisation preferences or push forms of liberalisation which had low Administration priority and high Congressional opposition.

One or another subset of the participants in ASEM or some of their important constituencies have, do, and will find these potential negatives attractive, at least as bargaining chips. Yet the threat probabilities were and are low.

First, ties to the U.S. have been so established or on such a strong upward path that the participants would be unable or in the last analysis unwilling to endanger them. Second, ASEM participants were and are too divided to take meaningful collective action to further those potential threats in a policy relevant future. Their different national priorities, policy convictions, and domestic pressures block substantial joint challenges to the U.S. After all, the ASEM members brought into that venue all the long-standing differences within Europe, within East Asia, and between the EU and East Asia vis-à-vis American power and policy, and on economic and civil society matters. Third, threats joint action by East Asians or by Europeans and Asians might pose had already been recognized and absorbed into the thinking of the attentive elements of the American public and private sectors. ASEM failed the ‘additionality’ test. What Asians and Europeans would try to do and be able to achieve was not so much irrelevant to the U.S. as unlikely to be made worse by the existence of ASEM.

The proper benchmark is the period from 1993 to the 1996 Bangkok summit. That period was marked for U.S. experts by the APEC trade and investment liberalization agreements of its Indonesian summit of 1994, and the loss of implementation momentum in the bog of “concerted unilateral action” beyond Uruguay Round commitments at its 1995 Osaka summit (Bobrow and Kudrle, in press). For its part, the EU clearly signalled a priority shift with the issuance of the 1994 EC “Towards a New Strategy for Asia,” the EU-ASEAN “Karlsruhe drive” of the same year, and participation in the Asean Regional Forum (ARF) established in 1993 (European Commission, 1996a, 1996b, 1994).

Americans had ample notice in the months before and after a leading Singaporean floated an ASEM notion in late 1994 that the ASEAN countries, Korea, and China were increasingly attentive to Europe in light of the major integration steps of 1987 and 1992 (e.g., Wagner, 1991). Europeans, spurred by Asian economic growth, coordinated American and Asian pressure for the Uruguay Round, and exclusion from APEC, had moved away from a status quo which viewed Asia as limited to Japan (e.g., Inoguchi, 1991; Daniels, 1984, Delors, 1990) or China. Europeans had stopped being content with somewhat pro-forma dialogues and agreements (e.g., diplomatic relations between China and the EC established in 1975, the Trade Agreement of 1978), and the donor-recipient perspective underlying the EU- ASEAN

Cooperative Agreement of 1980 (for a broad overview, see Maull, Segal and Wanandi, 1998). There already were ample arrangements in place for EU-key Asian and bilateral European-Asian dialogue and policy coordination (Richardson, 1996).

What specifics support the previous reasoning? Given the relative simplicity of ASEM political-military and civil society activities, these will be discussed before the more complicated and central economic arena. The sequential discussion does not deny the fuzziness of the boundaries between these baskets of issues, or policy controversies about erecting barriers or making linkages between them.

### **Political-Military**

Some clearly intended ASEM to include political-military issues. For Singapore's Foreign Minister it would "go beyond economic objectives to discuss broader security and political issues" (Lee, 1996). An EC paper presented to the Council of Ministers and the EU Parliament before the first ASEM summit included in its objectives "greater political dialogue" and addressing issues such as United Nations reform, local conflict prevention and management, and arms control. (Kohli, 1996). Well into 1997, a CAEC paper asserted that "it is in matters of security that Europe has perhaps the most to contribute to Asia" (Jung and Lehmann, 1997). Assertions were made in Survival that it was incorrect to believe that "Europe no longer plays a meaningful security role in the Asia-Pacific" (Stares and Regaud, 1997-98:117). The "Chairman's Statement" at the end of the first ASEM summit called for enhanced dialogue on "general security issues and in particular confidence building"(European Commission, 1996d). Even just before the second ASEM summit, The Economist (1998c) was calling for more attention to security matters, just as it had called before the first for correcting the EU's lack of a "serious approach to Asian political and security issues" (1996b:35).

France and Britain pushed for direct participation in the ASEAN Regional Forum (Wallen and Schloss, 1996; Nikkei Weekly, 1996a). The mid-90s saw a substantial number of political military dialogue and defense cooperation agreements between individual European



and Asian ASEM participants (training, exercises, defense industrial cooperation) (Stares and Regaud, 1997). ASEM should not stand for “Asian Security, Europeans missing” (Godement and Segal, 1996), but could be “another major step in a strategy to shape a balance of power in the region in which the U.S. will play a less dominant, though still important role” (Richardson, 1997).

These overtures posed no significant danger to U.S. security predominance in East Asia nor, contrary to some Chinese assertions, promised serious change in the structure of world power.

First, even the most forceful advocates of a major security dimension in ASEM explicitly recognized the US as the predominant security provider in East Asia – “it is in the interest of Europeans as much as Asians that the U.S. should maintain its security presence” (Nuttall, 1997). They rejected replacement, instead limiting their objectives to bolstering “internationalist forces within America,” i.e., a continued major American presence and commitment. A security dimension in ASEM would enhance the American perception of burden-sharing rather than free-riding while “providing political correctives where U.S. leadership seems narrowly focused or ill-guided.” (Maull and Tanaka, 1997). Scenario analyses (conflicts on the Korean peninsula, over Taiwan, in the South China Sea, or internal violence) concluded that the American role in a military response was inherently central (Stares and Regaud, 1997-98).

Second, American experts had little reason to expect a unified stance to emerge on traditional political-military issues. Multiple geometry on these matters would not need ASEM. The British and French desire for ARF membership met with a less than warm response from some other Europeans and a number of Asians (Stares and Regaud, 1997-98). Neither Korea or Japan manifested substantial willingness to step out from under the American security umbrella. Indeed, Japan moved to tighten its grasp on the handle shortly after the first ASEM summit. Taiwan was not even admitted to ASEM. China and France might emphasize a strategic relationship to check “mono-polar dominance” (Macklin, 1998), but had done so for

some time to little effect (Xinhua, 1996b, 1996c), and had an agenda which aroused far less than a uniformly positive response from other ASEM participants.

By the second ASEM summit, as a forceful security dimension proponent put it, "...tentative attempts ...to raise political and security issues were rebuffed" (Segal, 1998). In part, that reflected the salience of economic matters. More fundamentally, it followed from the limits on a European common defense and foreign policy and the well known divisions among the Asian participants. Differences between the French and Chinese positions and those of the other Asians were already visible in the treatment of the ASEAN Nuclear Weapons Free Zone at the first ASEM summit (Kamil, 1996; South China Morning Post, 1996b; Singapore Straits Times, 1996c). Acceptance by the EU and China of a broad free zone, of some interest to Japan and Korea, would have posed problems for the U.S.

While political-military relationships between Europeans and Asians might evolve, that had and would take place in other multilateral and bilateral arenas: the United Nations; the ad hoc land-mine ban gatherings; the EU-ASEAN foreign ministers meetings (as at Karlsruhe in 1994 on non-proliferation, refugees, and the Spratlies) (European Commission, 1996a); the regular meetings between the EU 'Troika' and Japan's senior foreign ministry officials (European Commission, 1998); and in the bilateral military relationships mentioned earlier.

Third, any concerns the U.S. might have about ASEM becoming a significant factor in major security issues of East Asian or global importance would wane given restrictive behavior on membership, and divisions exposed by maneuvering on that issue. Candidates had put themselves forward for membership even before the first ASEM summit, most notably Australia, New Zealand, India, Pakistan, and Taiwan. They have been joined by many others since including Russia and a number of East-European and Central Asian states with some 20 reported candidates by the time of the London summit (Chongkittavorn, 1998a). Each had its backers and enlargement was and is an ongoing issue, but lack of consensus led to an exclusion stance in May, 1995, which has continued as ASEM came to agree to a single member veto rule on expansion (Rahil, 1995; AFX(AP), 1998).

Obviously key parties in Asia for political military matters were kept out. As Japan recognized, Russian membership would have substantially raised the level of American response (Daily Yomiuri, 1997; Asia Pulse, 1997a) if only for its bearing on the Northern Islands issue. Australian and New Zealand membership would possibly have given ASEM a relatively established security cooperation core embracing the members of the Five Power Defense Arrangement. Instead, the membership controversies reinforced the view that for all the talk, issues other than a substantial, joint Euro-Asian security effort had firm priority.

Finally, US defense and defense industrial institutions might have seen a threat to arms sales to East Asia. Discussions on ASEM asserted that European arms sales to the region implied increased European security relevance, and that ASEM might well increase those sales (Shin and Segal, 1997; Godement and Segal, 1996). Competition between Europe and the US to sell arms cannot be denied; the Clinton administration has wanted to win that competition. Yet it had and would go on with or without ASEM, and had not been gaining in momentum adverse to the US in the years immediately preceding the Bangkok summit. America was not losing market share to Western European sellers while both were gaining share over other suppliers.<sup>2</sup> In any event, the more recent Asian financial crises have cast substantial doubt on the likely volume of sales in the next few years to precisely those countries (Malaysia, Indonesia, and Korea) where the European arms merchants were doing best. Thailand, for example, has even been arranging returns to the US of previously purchased items (Bangkok Post, 1998a). The other facet of arms sales concerns in Washington, enhancing potentially threatening countries and particularly China, was also unlikely to be affected by ASEM. The French, Germans, and British had interest in the China market for arms and dual-use technology prior to the ASEM launch (Godement, Lehmann, Maull, and Segal, 1996). Whatever ASEM might do, the US was itself on a permissive path of dual-use technology transfers useful for Chinese military capability (Gerth, 1998a, 1998b; Schmitt, 1998a, 1998b).

### **Civil Society**

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<sup>2</sup> This interpretation uses data from Shin and Segal, 1997:145, but draws a different conclusion from them.

Civil society , as used here, refers to standard Western conceptions of political rights and due process of law – human rights and democracy – and to a variety of labor issues including the right to organize, and safeguards against the exploitation of workers in general or particular demographic groups.

Civil society issues, and the domestic political implications of whatever ASEM did or did not do about them, have been of concern to the participants. They have had the potential to be a process breaker as the Asians coalesced around barriers to their consideration, and some but not all of the Europeans have at some but not all times pushed them to the fore. The dominant pattern has been a recognition of differences. Treatment of specifics has varied with shifts in perceived risks posed by purist positions to economic gains. While civil society NGOs have held parallel gatherings related to each of the ASEM summits, and Amnesty International and Human Rights Watch have proposed proactive steps, the governments have by and large agreed to turn a blind eye to their urgings (Mydans, 1996; Bangkok Post, 1997; Muntarbhorn, 1998; Ugroseno, 1998). That has meant little for the American government to worry about given its own ambivalence and conflicting country specific positions on civil society issues.

Throughout the history of ASEM, Asians and Europeans have been aware of their differences. Some Asian have taken a sequence viewpoint, e.g., the Singaporean Foreign Minister who asserted that Europeans wanted a pre-nuptial agreement on human rights before marrying their trade partners while “In Asia, we marry first, then expect the bride to adapt her behavior after marriage” (Wielaard, 1997). Others, like the Chinese Foreign Minister, have been blunter, “It is meaningless to try to adopt resolutions on the human rights issue at international forums...The EU should not impose its views on China and tell China what it should do or not do” (Xinhua, 1996d). Still others went so far as to claim the moral high ground , as Dr. Mahathir put it, “Asian values are universal values. European values are European values,” dismissing European concerns as mere posturing “to play to their domestic galleries...” (The Economist, 1996a:33). And some Asians saw a double standard at work, such as Singapore’s Tommy Koh, “This is true of Europe’s attitude toward Myanmar compared to Europe’s attitude toward Algeria. In both cases we have a military regime which aborted the democratic process" ” (Asiaweek, 1997).

Civil society problems were largely slid aside at the Bangkok summit in line with the consensus Asian position established before it (Kamil and Shan, 1996; South China Morning Post, 1996a), and the EU position voiced by EC President Santer, “What we shall be doing ...[at the first ASEM summit]...is strengthening the things we have in common...I want to avoid all confrontation” (Mydans, 1996). There was only one sentence on human rights in the seven page Chairman’s statement (New York Times, 1996). The ‘non-intervention in internal affairs’ position prevailed albeit cheek to jowl with support for a long series of UN civil society related conventions and programmatic statements (European Commission, 1996d). The Europeans, as some Asians expected, “did not really push such issues on the agenda” but reverted to “their long tradition of separating moral issues from state-to-state relations” (Lee, 1996). In sum , ASEM-1 took a position compatible with the preferences of the majority of the Asian members that Asia-Europe dealings treat civil society issues as “irrelevant” and that of the EU , in the words of one senior EC official, “to focus instead on business and trade” (Islam, 1996a).

The EC leadership reiterated its deferral, non-confrontational stance within ASEM whether to conciliate Asian members or because of internal divisions among Europeans (Islam, 1996b). Deferral was particularly clear with labor rights matters closely linked to economic issues. Prior to the Bangkok summit, the Asians had expressed opposition to the Europeans’ plan to push for a WTO rule advancing labor rights (Buerkle, 1996b).. “Asia would not want a labour force which is distracted by good living at the expense of productivity” (Business Times, 1996a). Later that same year, the EU agreed to avoid pushing labor rights and its linkage with trade (South China Morning Post, 1996a). In deference to China among others, it agreed to keep civil society issues largely off of the London ASEM summit agenda (Moorhouse, 1998).

Yet the EU was collectively unwilling to remove civil society issues totally from its multilateral dealings with Asia. While East Timor was finessed at the Bangkok summit, it recurred with sufficient intensity to derail another part of the EU’s Asian agenda and stress relations with the ASEAN states central to ASEM. The updating of the EU-ASEAN Cooperation Agreement envisioned for 1997 remained blocked. The Myanmar membership issue contributed to that outcome (Islam, 1997a) but went further becoming a key element in

the general dispute about ASEM enlargement. Prior to the Asian financial crisis, it led to Malaysian threats to boycott the London summit of 1998 (Islam, 1997b) only to culminate in a backdown -- but with the security limiting consequences of postponed expanded membership.

As a whole, these civil society issue behaviors were compatible with U.S. policy. The American hard line on Myanmar was not outflanked and thus weakened. Administration critics among Congressional liberals and conservatives were not strengthened by evidence that a more assertive position demanding civil society norm compliance from Asia would work.

### **Economics**

For both Asian and European governments the main purpose of ASEM was and is economic as expressed in the theme of the Bangkok summit --“Toward a New Asia-Europe Partnership for Greater Growth.” EC Trade Commissioner Brittan said “Trade and investments are the biggest, clearest and most urgent issues facing ...Europe and Asia” (Islam, 1996d). The Nikkei Weekly (1996b) observed that business documents would be the most significant documents signed in Bangkok. The EC objectives paper prepared before the first summit primarily listed economic and business related points (Kohli, 1996) as did the conclusions reached by the Asian participants in their pre-summit preparatory meetings (Rahil, 1995). Understanding how that might threaten an American administration committed to a proactive commercial foreign policy needs to take into account the shifting perceptions in all three regions about the Asian economies. The information in Table 1 captures those.

**Table 1.**  
**REAL GROWTH: THE MIRACLE AND AFTER (%s)**

	Actual	Forecast		
	90-95 avg.	98 (Dec.96)	98 (March, 98)	99-2003 (March, 98)
EU-15	1.8	2.2	2.6	2.3
China	10.6	8.6	7.0	7.6
Indonesia	7.1	6.5	-3.0	4.5
Malaysia	8.8	7.7	2.0	5.7
Singapore	8.5	6.8	3.2	6.2
Korea	7.8	6.8	-1.0	5.1
Thailand	8.8	7.5	-3.0	4.4
Japan	2.0	2.7	0.5	2.2

Source: National Westminster Bank Economic and Financial Outlook, 1996: 12; 1998:8.

During preparation and launch, much of Asia was seen as having sustained real growth dynamism far outperforming the EU, with even Japan not underperforming it (the first column). Late 1996 forecasts expected the pattern to continue (the second column). Events shattered that expectation for the short term for most of the Asia 10, with the exception of China, by the time of the second ASEM summit (the March, 1998, forecasts in the third column). Yet, the fourth column, expectations at the time of ASEM-2 were for the affected non-Japanese Asian economies to return to a level of growth performance exceeding that of the EU, albeit not by the magnitude of the ‘miracle’ period.

These indicators imply that whatever general economic threat ASEM might pose to American interests changed over the years. The threat began as the prospect of European capture of the opportunities posed by Asian growth, and alignment on international economic policy matters with a robust Asian caucus. French President Chirac was direct, “My objective is simple: We must triple our share of Asian markets in 10 years” (Chaddock, 1996). The ‘two beats one’ rule in international economic bargaining (a coalition of any two among the US, Asia and Europe) was well established and had been used by the US to advance the Uruguay Round (Buerkle, 1996a). Euro-Asian coordination might provide a counter to APEC (Godement,

Mauil, Nuttall and Segal, 1996) and deny the possibility of APEC bargaining with the EU as a bloc (The Economist, 1996b). Instead the EU and the Asia-10 or at least its ASEAN core might coordinate to contain and bargain with the US in the WTO (Kohli, 1996; Islam, 1996c). Those negative prospects came to be surpassed in immediate salience by the possibility of European non-cooperation in the combination of international rescue and pressure for Asian domestic reforms U.S. internationalists prescribed for Asia's troubles. Given the relatively positive long-term prospects for the Asian economies, the Europeans might still be tempted to 'let the U.S. be the bad guy' and thus position themselves for advantaged relations with Asia when it came back. After all, in American eyes, that had happened before in EU-Asian relations , e.g., with Korea over IPR and telecommunications (Dent, 1998).

In practice, ASEM has not offered persuasive claims to substantial additionality in business and economic terms beyond the impacts of market phenomena and government policies external to the ASEM process. At least by the summer of 1997, that was also the view of European business executives (Laperrouza and Lehmann, 1997).

European attempts to benefit from Asian dynamism predated ASEM.

Examples include the European Community Investment Partners (ECIP) scheme, European Business Investment Centres (EBICs), financing facilities of the European Investment Bank, and other initiatives with various individual Asian members of ASEM by the EU and its members (UNCTAD, 1996:53; European Commission, 1996b, 1996c).

In trade, that of the EU with non-Japan Asia had already been increasing faster than that of the US or Japan in the 1988-94 period. EU exports surpassed those of the US in 1994 as East Asia became the EU's largest overseas export market replacing the US, and were projected to far surpass those to the US in the early parts of the next century (Xinhua, 1996e; The Economist, 1996b; Kaur, 1996). Further, it was clear that the levels of inter-regional trade between Europe and Asia were being held back by policy factors, as economic analysis showed them discrepantly low after allowing for such 'natural' variables as economic, size, level of economic development, proximity, common borders, and common language



(Frankel, Stein and Wei, 1997). ASEM could matter as it signalled willingness to remove the sources of intra-regional bias primarily on the European side (Frankel, Stein and Wei, 1997:26,29)), and European determination to break out of the repressed role of trade with Asia in the context of total trade outside of the EU (Abe and Plummer, 1996; Dent, 1998; Hanson, 1998). The Asians, mostly already running sustained trade surpluses with the EU, clearly had an interest in such developments especially in the face of the Single Market and prospective common currency, and not always so latent American protectionist tendencies.

As for foreign direct investment from the EU to Asia, pre- ASEM performance was clearly on an upward and strong path from 1990 to 1995 as shown in the last column of Table 2. Table 2 shows the EU moving ahead of America in foreign investment shares in East Asia as a whole, expanding its historic edge in the ASEAN-4, and reducing the gap between EU and US shares in the Asian NIEs and China.

**Table 2.**  
**DIRECT INVESTMENT MARKET SHARES, 1986, 1990, 1995 (%s)**

Host	Year	From the U.S	From the EU
East Asia	1986	18.8	11.4
	1990	10.8	10.8
	1995	12.2	12.7
Asian NIEs	1986	29.6	15.4
	1990	32.7	14.7
	1995	38.8	21.8
ASEAN 4	1986	11.1	11.6
	1990	6.2	10.9
	1995	10.8	15.7
China	1986	16.6	6.9
	1990	13.1	4.2
	1995	8.2	5.7
Japan	1986	51.9	12.5
	1990	23.9	41.0
	1995	48.0	31.2

Note: EU refers to the EU-15. Asian NIEs are Hong Kong, Singapore, Korea, and Taiwan. The ASEAN 4 consists of Indonesia, Malaysia, the Philippines, and Thailand. Source: Japan External Trade Organization.

Near parity was achieved with the US in the early 90s in share of IFDI stocks held and flows into East Asia as a whole. Historically greater shares than the US in stocks and flows were maintained in the 1985-93 period for Indonesia and Malaysia. Gaps in stock shares narrowed for Hong Kong, Korea, the Philippines, Thailand and China. The EU share of flows in 90-93 was greater than that of the US for Hong Kong, Korea, Indonesia, Malaysia, and the Philippines (European Commission and UNCTAD, 1996:28-29).

The threat questions with regard to trade and FDI for Americans were whether trends manifest in the early 1990s would be substantially accelerated by ASEM, and, to be noted later, Europe would break out of its minor role in China. Disagreements and other priorities among and between Europeans and Asians made such developments unlikely.

Free trade propensities were known to differ among countries in each region, as were the priorities of their major firms. Trade acceleration might happen by an agreement to match the APEC agreed to liberalisation, depart from the principle of open regionalism in favor of preferential Euro-Asian arrangements, or dismantle specific barriers beyond WTO commitments. Given the general pattern of Asian trade account surpluses, high EU unemployment and job loss fears, and EC and national policy habits, these developments seemed unlikely and did not take place even during the time of maximum Asian leverage. Subsequent financial events, currency devaluations, and growth slowdowns have only made them less likely.

Even before the Bangkok summit, Asian participants set aside a Thai proposal for a trade liberalization timetable and rejected side-payments to the Europeans involving linking trade liberalization to such “extraneous issues” as labor standards, human rights, or environmental

protection (Kamil and Shan, 1996). Those Asian positions prevailed at ASEM-1 (Kamil, 1996). The EU at Bangkok and since has declined to match APEC trade liberalization agreements (Dale, 1996), and at the Makuhari Economic Ministers Meeting (EMM) the Asians again rejected timetables for reducing non-tariff barriers (Robinson, 1997). Trade facilitation, not downright liberalization, prevailed then and since as in the Trade Facilitation Action Plan adopted at the London Summit (Bangkok Post, 1998b). The EU did not reciprocate Singapore's interests in a new round of world trade liberalization talks, a proposal which would have posed substantial problems for the Clinton Administration (Montagon, 1998). Each side did continue to press for the other to remove tariff and non-tariff barriers but to little result. Asians blocked EU efforts on government procurement at the EMM in September, 1997. Thai proposals that ASEM business leaders present a priority list of items for tariff reduction to the second summit were of little avail (Shiratori, 1997; Business Day, 1997). The best ASEM-2 could do was to resolve to at least maintain current levels of market access and honor WTO pledges (Kohli and Macklin, 1998).

All this took place (or rather did not take place) against a persistent background of trade frictions. In the context of ASEM-1, Malaysia raised with the EC issues of anti-dumping and anti-circumvention duties, shipping, and GSP conditionalities (New Straits Times, 1996). Shortly afterwards, China objected to import quotas and anti-dumping measures (Xinhua, 1996a) and a leader of the European automobile industry called for protection against Japanese and Korean exporters (Friedman, 1996). Anti-dumping issues were pushed by Asians in ASEM business fora (Asia Pulse, 1997b), and by Koreans on consumer electronics with the EC (Sohn, 1997). Asians clearly viewed such measures as not declining and obviously trade diverting while recognizing splits between EU member governments and the interests of their import competing and import benefiting firms (Islam, June 12, 1997). The only obvious European shift on such barriers was in providing a more technically favorable approach to China, a step taken at the first EU-China summit at the time of ASEM-2, but not in ASEM, linked to some Chinese tariff cuts (Kohli, 1998; James, 1998b).

With regard to foreign investment, the appetite (Koh and Yuan, 1996; European Commission, 1996c) co-existed with already well-established different priorities on FDI promotion versus

FDI protection. At ASEM-1, desire was illustrated by the infrastructure needs Asians saw as inhibiting their growth and Europeans as offering immense opportunities, e.g., the push for intra-Asian and Euro-Asian railroad construction (Beijing Review, 1996; Hamid, 1996; Korea Economic Daily, 1996). More generally, all the well-known motives for OFDI and IFDI were on display.

Yet EU requests for support for an investment code or at least accelerated consideration of it in the WTO were rejected at ASEM-1 as China, Japan, Korea, and some of the ASEANs saw it as a step toward excessive foreign investor control (Singapore Straits Times, 1996b; Turner, 1996). All that was achieved was authorization for Thailand to take the lead with an Investment Promotion Action Plan (IPAP) along non-binding ANIP lines (Xinhua, 1997). Even that ran into difficulties over the balance between the two emphases (Thapanachai, 1997). While adopted at the Makuhari EMM and the London summit, the IPAP came without timetables or compliance rules and with stipulations that its terms would apply to non-ASEM members as well (Sawatsawang, 1997; China Business Information Network, 1997). One of the factors underlying this result was lack of movement on intellectual property rights issues. EC requests of December, 1995, for improved protection as part of ASEM-1 were not accepted, and they fared no better at the Makuhari EMM (Rebello, 1996; Shiratori, 1997). The lack of ASEM provided acceleration in its early period may not have mattered as the participants had sufficient market driven motivation to proceed anyway. By the second summit, however, the Europeans had far better instruments to secure FDI acceptance on their terms, and less incentive to push for them in the ASEM venue. They were by then under less obvious pressure from their business constituents who were more preoccupied with a possible surge of cheap Asian imports and competition in third markets, and cooling even to prospects in China (The Economist, 1998a).

Underlying disagreements made it unlikely that sufficient unanimity would prevail for ASEM to act to change structural frameworks and basic institutional roles in the international economy. That possibility surely was raised with regard to an East Asia Economic Caucus gaining in recognition, the WTO, and , more recently, the IMF. Major ASEM led developments on those fronts would have challenged established US policies. None came near close to realization.

Malaysia did try to push for reincarnating the East Asia Economic Caucus (EAEC) as the Asia-10 of ASEM. Yet the inclusion of persistent sceptics Japan and Korea and the possible risks posed by them and China to ASEAN centrality made it more a matter of posturing than anything more serious (Kaur, 1996; Business Times, 1996). China made that outcome firm when it rejected regular summit meetings of the Asia-10 (Fuller, 1997) in the setting of the financial crises. Asian coordination remained no greater than that in APEC. With that outcome and the financial crises went the notion of a clear non-Japanese Asian voice in the WTO.

A Euro-Asian joint posture toward the WTO clearly was an EC objective prior to ASEM-1 (Kohli, 1996) and at the Makuhari EMM (Shiratori, 1997) with little success in either case. Attempts have continued to forge a joint front on China's admission to the WTO to overcome American opposition, and admission was repeatedly formally endorsed. Those endorsements, however, came with strings involving treatment of IFDI, import barriers, and financial services liberalization regardless of the Beijing preferred quid-pro-quo of non-devaluation (Montagon, Feb. 27, 1998; Inside U.S. Trade, 1997). The partners also manifested wariness about one or another of the participants stealing a march in cozying up to China (Shiratori, 1997; Kohli, 1998; Altbach, 1997). WTO compatibility remained a key basic feature of ASEM (ASEM, 1998).

As for the IMF and financial crisis management, ASEM could have posed a problem for the U.S. by supporting alternative institutional mechanisms or opposing the push for open capital markets and 'reform' conditionalities. Asian initiatives were rejected or finessed, with the EU in general supporting U.S. positions at the ASEM Finance Ministers meeting (September, 1997) and since against initiatives by Japan and other Asian members. Positions prepared for the London summit by the ASEM finance deputies called for increased quotas, reform implementation, and a global IMF surveillance mechanism (Meeting of Asian and European (ASEM) Finance Deputies, 1998). The EC supported further financial liberalization ---"the liberalisation of capital movements is an inevitable and irreversible process" -- and Europeans blocked proposals for tough regulation of financial 'gunslingers' (Islam, 1997c). ASEM-2

support for financial transparency and IMF reform came after hard bargaining to avoid placing blame for the crisis on international factors (Chongkittavorn, 1998b). Singaporean proposals for a special credit facility for Indonesia were rejected and the ASEM Trust Fund set up was carefully limited to technical assistance, excluding export credits and financial guarantees, and even then fell far short of its initial financial goals (Montagon, 1998).

ASEM did not depart in important ways from the U.S. sponsored emphasis on IMF centrality of the Vancouver 1997 APEC summit. The EU, in ASEM or elsewhere, did not step in with crisis management measures ahead of the U.S. Instead the combination of its substantial stake in the IFIs and number one ranking ahead of Japan and the US in bank exposure to Asia led to support for the Clinton administration positions (James, 1998a; The Economist, 1998b; Ismail, 1998). ASEM, read the EU, stood aside from the Japanese proposed Asian Monetary Fund and worked to reduce it to a loose arrangement subordinate to the IMF, and one with substantial non-ASEM participation (the US, Canada, Australia, New Zealand) (Ismail, 1997). Through 1997, senior Europeans were at least as sanguine about the crisis as their US counterparts, as the German Finance Minister observed “it affects us little” (Nikkei/Dow Jones Japan Report, 1997). While British and German governments stepped forward bilaterally for Thailand in early 1998, a senior EC official noted that worst of the crisis is “behind us” (Chongkittavorn, 1998c; Patiyasevi, 1998; Xinhua, 1998). The Thais, one of the most prominent backers of ASEM, got the point and their Prime Minister went to Washington before the London summit (Onkgara, 1998).

The London summit put no pressure on US policy, with the possible exception of an ASEM committee to monitor financial flows pushed by Thailand, France and Malaysia. Yet influential Americans in private life, e.g. George Soros, and in the Congress were calling for more surveillance (Sawatsawang, 1998). Statements about the importance of the crisis were indeed provided, grudgingly, and at Asian request ‘market opening’ language was damped. (Manibahandu, 1998; Asia Pulse, 1998). Asia was not left alone with the US and the IMF, but neither did Europe align with it against them.

## **ASEM AS AN AID TO AMERICAN POLICY**

The argument to this point has developed reasons why attentive and internationally oriented American political and business elites would find ASEM untroubling. The case remains to be made for why they would find it to be if anything modestly helpful for their agendas. Has ASEM posed possibilities of actions and declarations in support of their preferences, support which would help to fill gaps in domestically feasible American resource and commitment provision, and resist pressures at home for actions counter to those preferences? Has ASEM improved the American international bargaining position by making clearer to Europeans and Asians that the US was not alone in the great triangle in pressing each of them to change policies and practices, or in resisting their demands for change by each other and the US?

On political-military issues, continuation of a forward presence in Asia benefits from recognition of the lack of a replacement, and support for greater burden-sharing. The ASEM-1 occasion was useful in securing EU funding for the non-proliferation initiative of the Korean Energy Development Organization (KEDO) and Asian funding for Bosnian reconstruction. Both were desired by the US administration and had funding problems in the Congress (Vatikiotis and Islam, 1996). American desires for regional and global military stability through non-proliferation, arms control, confidence building measures, and conflict reducing peace-keeping operations could benefit from Euro-Asian validation and practical help (CAEC, 1997; Shin and Segal, 1997). American internationalists both placed priority on these matters and were under severe constraints in acting on those priorities.

A similar observation applies to the new security agenda posed by trans-national crime, including its money-laundering element, terrorism, trafficking in drugs and people, and environmental dangers. Those problems have been salient for American internationalists and other vocal domestic parties whatever the efficacy of their response. The ASEM-1 agreement to address cooperation to deal with the illegal drug trade, money laundering, terrorism and illegal immigration was then welcome (European Commission, 1996d). So were the follow on endorsements of cooperative activity in one or more of those areas at the February, 1997, Finance Ministers Meeting, the June 1996 meeting of Customs Directors General, and the London summit announcement of relevant working groups (European Commission, 1997; Meeting of Asian and European Finance Deputies, 1998; Altbach, 1998). Important elements

in the US administration certainly were in favor of stronger steps to protect the environment than they could get authorized domestically, and aware of the benefits of curbing Asian generated pollutants. The ASEM agenda espoused by EC President Santer, and illustrated by the DIPECHO (Disaster Preparedness European Community Humanitarian Office) announced in London, complimented their agenda (The Inaugural ASEF Lecture, 1998).

On civil society matters, ASEM's exclusion of Myanmar supported American preferences to use that case as a demonstration of human rights 'toughness'. Persistent friction in ASEM worked to avoid American isolation from Asia on civil society issues. At the same time, the repeated skirting of those issues in ASEM helped alleviate pressures from Americans who wanted a more intrusive policy line by suggesting that to do so would provide economic and other gains to Europeans, especially in light of the EU's 1998 "Build a Comprehensive Partnership with China" and non-support for periodic criticism in the UN Commission on Human Rights (China Business Information Network, 1998).

The economic issue basket has probably been the most important for an administration committed to a commercially internationalist policy of liberal regime building with a diminished domestic mandate to pursue it. It would be helped by: support for further liberalization by others in trade and FDI; validation of the importance of APEC; support for WTO realization of the Uruguay Round commitments and progress with the 'built-in' agenda; and certification of the importance of the IMF and the Administration supported prescriptions for Asia's troubles. Avoiding embarrassment about its domestic constraints would be made easier by support for the status quo as it would deflect criticism focused on illiberal American policies and practices, such as the anti-competition Super 301, and strengthen the rationale for not pursuing hard to pass binding international agreements on trade and investment. Those sorts of help from ASEM would facilitate Americans having their cake and eating it too – certifying American centrality in the world economy and administration policy achievements and international economic theology while providing a way to dodge actions contradicting that theology.



With all their looseness, the ASEM Investment Promotion Action Plan and Trade Facilitation Action Plan fit the bill. The dialogues around them provided additional Asian pressure on Europe and European pressure on Asia to open more to trade, as the US hoped ASEM would (Buerkle, 1996c). In a modest way, so did efforts to improve and simplify Asian customs and IFDI procedures. The London summit's resistance to a protectionist response to a possible surge in cheap Asian exports could be cited to bolster Administration resistance to a protectionist US response. The importance of APEC was recognized repeatedly in ASEM, validating Administration policy achievement claims. Yet the EU demonstrated its unwillingness to pose to the US the difficult challenge of a market access opening race. ASEM emphasized WTO compatibility, while refraining from initiatives to substantially drive up the standards of liberalization by either APEC or the WTO. If it had done either, the US administration would have been hard pressed to maintain an image of efficacy and consistency faced with a critical coalition across party lines in the Congress. In the ASEM context, the EU reinforced American positions by making it clear that the U.S. was not alone in pressing for further Asian opening in goods and services, stronger foreign investor protection, and willingness to use anti-dumping instruments. Euro-Asian consensus made it easier for the American administration to follow its desires to use loopholes to avoid putting into force the more noxious provisions of the Helms-Burton and d'Amato legislation.

ASEM provided at least verbal support for the American internationalist position on the WTO of meeting agreed timetables, progressing in the working groups on Trade and Investment, Competition Policy, and Government Procurement, and realizing the Singapore telecommunications provisions. (ASEM, 1998). Europeans in ASEM and outside of it made it clear that the US was not isolated on these major matters and such relatively minor ones as complaints about Korea's 'whiskey' tax (Singapore Straits Times, 1996c; Asia Pulse, 1997c). The American joint complaint strategy was apparently working at least to the point of parallel action on market opening (e.g., the Korean automobile market).

The Administration's hand could only have been strengthened by the ASEM response to the Asian financial crises which confirmed Administration interpretations that there was no alternative to U.S. leadership, that bailout costs would not be only an American burden, and that Europeans would not reap parochial benefits with Asians by playing 'good cop' to

America's 'bad cop' on IMF conditionality or Japanese domestic 'reform'. At the same time, the London ASEM summit certified Administration contentions that the potential consequences of the Asian crises were too great for benign neglect to be a wise American policy.

Finally and importantly, there is the matter of China. The perceived need to counter unwanted American policies was central to the ASEANs who stimulated the development of ASEM. As Indonesia's Jusuf Wanandi put it, "The main worry in East Asia is that by default, and because of misunderstanding and faulty domestic debates in the United States and elsewhere in the West, China will be demonized and seen as the next 'enemy number one' replacing the Soviet Union" (Richardson, 1997). Nor could there be any doubt before and since the start of ASEM of EU desires to increase its share of economic benefits from that country's growth. Indeed, the first EU-China summit held next to ASEM-2 was rival in importance to it. Further, China has an explicit policy line in which improved relations with Europe served to limit U.S. influence, and has tried to exploit US – European commercial and government high technology export and FDI competition, as in the Boeing-Airbus rivalry. Conciliation of China by ASEM can then be seen as undercutting US preferences.

A more plausible view begins with a different interpretation of US preferences in the Administration, policy think-tanks, and big business. In that alternative, the priority has been to pull China into cooperative activity in the international economy and in traditional and new-agenda security matters – that is, engagement combined with normalization in terms of economic and security stability enhancing behavior (as defined in Washington). Civil society norms should neither be ignored or allowed to interfere much with those higher priorities.

ASEM could then be harmful or helpful and on balance has been the latter. It has provided another venue to embed China in a web of governments largely committed to an open world economy and military conflict avoidance and limitation, in line with the 1997 Trilateral Commission recommendation (Asia Pulse, 1997d). The relative absence of the 'China as enemy' school within European polities could enable some enlargement actions domestically

difficult for US internationalists, and even justify reciprocal US actions on commercial grounds (Jung and Lehmann, 1997).

ASEM related regional arms control measures or support for global non-proliferation measures could help the U.S. shadow containment of China by limiting its military posture, making it less destabilizing, or by triggering Chinese negative responses which would lead to more feelings of security dependence on the US – a win-win situation for Washington. Greater European participation in the ARF could serve as a counter-weight to Chinese influence in that forum. ASEM dismissal or assertiveness about civil society issues would have undercut the balancing act of the US administration. The quiet diplomacy pursued in and around ASEM in that regard has largely been similar to the course Washington internationalists have wanted to follow.

On the economic side, American experts surely were aware of the far greater and more rapidly growing US trade relationship with China compared to that of the EU big four economies (France, Germany, Italy and the U.K) in exports and imports.<sup>3</sup> The EU had very far to go before it could rival the US in Chinese eyes as an export market. Given the massive and in America controversial Chinese bilateral trade surplus, anything the EU would do to accept more Chinese exports or to further open the Chinese market to advanced industrialized country products or services on a non-discriminatory basis could only be welcome. Given the complaints of U.S. investors, anything to improve Chinese treatment of IFDI would also be welcome. ASEM success with parallel requests for economic liberalization to those of the US would benefit American commercial interests as well in the open regionalism, MFN framework.

### **PAST AND PROSPECT**

During its brief history ASEM has not given American internationalists much to worry about and has on balance been modestly helpful. The hegemon did not bark because it did not need to. It is likely that will continue to be the case. Contrary to some thoughtful views, “ASEM’s

flimsy edifice” did not go down “with Asia’s crash” nor should the US have wished it to do so especially if it was really flimsy (Segal, 1998). For Han Sung-Joo (1997), ASEM resembles “having a house before having furniture”. From an American internationalist point of view, the chances are even less that Europe will provide furniture which clashes with American taste. As for what Asia will provide as it returns to a modified but substantial growth path, ASEM seems more likely to take some of the edge off of the ‘bitter rice’ of the crises than to offer to Asia a more appealing European alternative to key relations with the US.

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