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an assessment of the changing power relations in East Asia and highlights potential implications of the region's security flashpoints for the EU.

### EAST ASIA'S SECURITY AND THE EU

#### Does East Asia's security matter to the EU and why?

East Asia is home to some of the most important trading partners of the Union. China is foremost among these, ranking second only to the US – in 2009, EU-China trade totalled a massive €296 billion – while the EU is China's most important trading partner. Japan is the sixth-largest trade partner of the EU – in 2009, EU-Japan trade was almost €92 billion. South Korea is the EU's eighth-largest trade partner and the EU has become South Korea's second-

largest export destination – total trade in 2009 was above €53 billion. Furthermore, on 6 October 2010 the EU and South Korea signed a Free Trade Agreement (FTA) which is the most ambitious bilateral trade agreement ever negotiated by the EU, and the first with an Asian country.

Alongside trade, East Asia is the recipient of increasing volumes of European Foreign Direct Investment (FDI). In this context of growing economic interdependence between the EU and East Asia, any turbulence and/or instability in the area, particularly among the region's major powers, would have a direct bearing on the EU's socio-economic welfare.

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Source: CIA

## What are the main security flashpoints in East Asia and how could they impact on the EU?

Prominent among the factors that could jeopardise the EU's interests in the region are instability in the Korean peninsula and in the Taiwan Straits as well as disturbances in the economic and political climates of China and Japan (which are the second and third-largest economies in the world). Moreover, tensions in the South China Sea over territorial disputes which, if they escalated, would likely involve the United States and other East Asian powers may destabilise the sea lines on which Europe's trade with the region depends. The recent security crisis in the Korean peninsula, the Sino-Japanese spat over the Senkaku/Diaoyou islands and growing tensions over territorial disputes in the South China Sea that occurred in 2010 have yet again raised concerns about regional peace and stability and its potential implications for EU interests.

### THE CRISIS IN THE KOREAN PENINSULA

On 23 November 2010, North Korea attacked a South Korean military base on Yeonpyeong island, killing four people and injuring many more. This followed Pyongyang's surprise revelation of more than 1,000 centrifuges in a state-of-the-art nuclear uranium enrichment facility some days earlier. The North Korean regime of Kim Jong-il is currently in a transition period. The recent attack (preceded by the shelling and torpedoing of the South Korean warship *Cheonan* with the loss of 46 lives in March 2010) and surprise revelation of nuclear capabilities seem to be aimed at building political capital for Kim Jong-eun, the third son of the North Korean leader and the one being groomed to succeed his father. Although one of the world's poorest countries and permanently on the verge of collapse, the

North Korean regime has proved to be a resilient one, thanks mainly to the continued support received from China.

## What was the reaction of the US and its allies?

In the aftermath of the attack, the South Korean government raised security alerts to the highest level for peace time while the Parliament approved a 6% rise in the budget of the Ministry of Defence for 2011. The US sent warships, including the carrier *USS George Washington*, to the Yellow Sea to take part in joint US-South Korea military exercises (planned long before). Joint US-Japan military exercises were also held at the beginning of December 2010, the largest ever between the two countries marking the 50th anniversary of the US-Japan alliance. On that occasion, South Korean observers were also present for the first time.

## What was the response of China?

China, North Korea's main ally, has been reluctant to condemn the military attack on the South. Beijing criticised instead the deployment of US warships in the Yellow Sea, declaring that such a move would infringe China's maritime sovereignty. Moreover, it criticised both US-South Korea and US-Japan military exercises on the grounds that these manoeuvres would raise tensions in the region.

Ranking of 50 EU major trade partners	Country	Billion €	%
2	China	296,38	12.9
6	Japan	91,79	4.0
8	South Korea	53,59	2.3
12	Singapore	35,01	1.5
19	Taiwan	27,55	1.2
22	Malaysia	24,34	1.1
23	Thailand	21,92	1.0
30	Indonesia	16,90	0.7
36	Vietnam	11,53	0.5
47	Philippines	6,78	0.3
TOTAL (EAST ASIA)		585,80	25.5
TOTAL EU trade with 50 major trade partners		2293,52	100.0

Source: Eurostat (2009)

Ranking of East Asian recipients of EU FDI	Country	Million €	%
1	China*	136,149	4.18
2	Singapore	80,898	2.49
3	Japan	76,069	2.34
4	South Korea	28,888	0.89
5	Indonesia	13,106	0.40
6	Malaysia	12,979	0.39
7	Thailand	10,625	0.33
8	Taiwan	8,401	0.26
9	Philippines	6,260	0.19
TOTAL (EAST ASIA)		373,375	11.48
TOTAL EU FDI towards extra-EU countries		3252,907	100.00

\*The figure for China includes FDI towards Hong Kong (88,864).

Source: Eurostat (2009)

China continues to support its small North Korean ally as a buffer against the strategic alliance of the US, Japan and South Korea. Beijing would neither welcome any US military presence north of the Demilitarised Zone (DMZ), nor any massive inflow of North Koreans into its territory. While China is likely to continue propping up the North Korean regime, a debate is currently under-

way within the Chinese Communist Party as to whether – and to what extent – China should continue to give support to an ally that does not follow Beijing's repeated calls for economic reforms and is a cause of tensions in the region.

## Is there a changing attitude in Beijing vis-à-vis Pyongyang?

Since North Korea is not transforming along the lines favoured by China, an increasing number of Chinese policymakers see Pyongyang as an obstacle to developing a stable regional environment conducive for economic growth. China's trade with South Korea is almost 70 times greater than that with the North. The US and Japan remain indispensable markets for Chinese products. In addition, North Korea's nuclear threat provides policymakers in neighbouring Japan and South Korea with a powerful justification for boosting military expenditures and for the United States to maintain tens of thousand of military personnel deployed in the area. A debate on the future of the Korean peninsula is thus underway in Beijing, including preparations of contingency plans in the event of a collapse of the North Ko-

## What is the current state of Sino-Japanese relations?

At the economic level, the two countries are more and more integrated. China has become Japan's first trading partner and the recipient of increasing stocks of FDI. This situation is not matched, however, in the political realm where mutual suspicion persists as demonstrated by the recent clash over the disputed Senkaku/Diaoyu islands. At the end of December 2010, the Japanese Ministry of Defence released its *Guidelines* for the next five years. The document moves away from a scenario preparing for an invasion by the Soviet Union to a dynamic defence capability that can effectively deal with possible contingencies on Japan's vulnerable southern islands and China's growing military force. The *Guidelines* raise concerns about the Chinese navy's rising presence in waters around Japan, accusing China of having increased its military spending by double-digit rates in the last two decades. The MoD *Guidelines* also call for increasing the number of submarines from the current 16 to 22 and the number of *Aegis* destroyers from the current four.



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rean regime. At stake there is the whole regional order and the question of leadership in the area, in particular between China and Japan.

## THE SINO-JAPANESE SPAT OVER THE SENKAKU/DIAOYOU ISLANDS

China and Japan have traditionally vied for regional leadership. In recent years, political relations between the two countries have been strained by growing misperceptions and misunderstandings, including accusations from Tokyo of repeated incursions by Chinese destroyers into a disputed part of the East China Sea which is believed to contain rich oil and gas deposits. The most recent flare-up between China and Japan over contested territories was sparked on 7 September 2010 when a Japanese coastguard patrol boat found a Chinese trawler travelling 12 km northwest of the Senkaku Islands (called Diaoyu islands in Chinese), considered to be within Japan's territorial waters. Japan, China and Taiwan all claim sovereignty over them. The Chinese ship's crew and captain were arrested by the patrol boat and detained by Japan to be prosecuted under Japanese domestic law. The move infuriated Beijing and diplomatic relations between the two countries deteriorated. It sparked public outrage as anti-Japanese protests were held in various cities across China. The same occurred in Japan, where thousands of Japanese demonstrators protested in Yokohama as Chinese President Hu Jintao arrived in the city to attend an APEC meeting. Although Japan later released the ship's crew and captain, the incident has strained Sino-Japanese relations.

Country	GDP 2010 (Estimate, US\$ bn)	GDP growth 1999-2009 Constant US\$	Average projected GDP growth 2010-11* (%)
China	5,745	+ 165.7	+10.0
Japan	5,391	+ 7.3	+2.1
South Korea	986	+ 53.1	+5.3
Indonesia	695	+ 64.3	+6.1
Taiwan	426	+ 26.6	+6.9
Thailand	312	+ 48.4	+5.8
Singapore	217	+ 70.3	+9.8
Malaysia	218	+ 58.6	+6.0
Philippines	189	+ 55.6	+5.7
Vietnam	102	+ 101.6	+6.6

\*Estimate

Source: World Bank (2010); IMF (October 2010)

Country	Military Expenditure 2009 (US\$ bn)	Mil. Exp. growth 2000-09 (%)
China	98.80	+ 216.67
Japan	46.85	- 1.33
South Korea	27.13	+ 48.17
Indonesia	4.91	+ 64.98
Taiwan	9.86	+ 16.82
Thailand	4.91	+ 81.78
Singapore	7.97	+ 33.05
Malaysia	4.01	+ 92.35
Philippines	1.42	+ 11.81
Vietnam*	2.01	+ 55.63

\*Growth rate calculated only for the period 2003-2009 due to missing data for 2000, 2001 and 2002.

Source: SIPRI Yearbook (2010)

Japan is by no means the only country intent on upgrading its defence capabilities to offset China's growing military presence and power projection in the region. South East Asian nations are also overhauling their defence strategies and military spending as some of them have long-standing territorial disputes with China.

## TERRITORIAL DISPUTES IN THE SOUTH CHINA SEA

Territorial disputes off China's southern coast have escalated since March 2010 when Chinese generals told visiting senior US officials that Beijing would not tolerate any interference in the South China Sea, saying it was now part of China's 'core national interest' on a par with Taiwan, Tibet and Xinjiang. A month later, in an apparent demonstration of its growing maritime enforcement capabilities, the Chinese navy staged a long-range deployment in the South China Sea. The exercise included some of China's most modern warships and lasted nearly three weeks. This show of force raised alarm bells among Southeast Asian countries which began to turn increasingly towards the US for reassurance and protection. In July 2010, during the annual meeting of the ASEAN Regional Forum, US Secretary of State Hillary Clinton declared that any initiative perceived to undermine freedom of navigation in the South China Sea would hurt US national security interests. Clinton's assertion that Washington was ready to act as a mediator in those disputes angered China who saw this as interference.



Source: Asia-Europe Meeting Summit 2010 (EU)

### What is the attitude in Beijing vis-à-vis territorial disputes in the South China Sea?

China seems to be aware that it has sent out the wrong signals in the last few months. There is currently a struggle between the more accommodating Ministry of Foreign Affairs and some parts of the PLA, in particular the navy, which seem to increasingly consider China as a great power that needs to protect its national interests. In order to ease tensions and convey a reassuring message, in October 2010 Hu Jintao, the Chinese President, made a declaration about a 'Sea of Peace and Cooperation' in the South China Sea, raising hopes for restarting negotiations among the concerned parties on a code of conduct which would address the outstanding territorial disputes. This was a response to Washington's attempt to re-engage more actively in the region, exemplified by its offer to mediate in disputes in the South China Sea. We should expect this sort of competition between China and the US for regional leadership to continue – if not increase – in the coming years.

## THE ROLE OF THE EU

While the evolution of Sino-American relations will determine to a large extent the security dynamics in East Asia, the question is whether – and to what extent – there could be a role for outside actors such as the EU. Although

the EU is not as relevant a political actor in the area as the US, the EU and its Member States have been involved in East Asia's security since the 1990s. The EU is a member of the ASEAN Regional Forum. It also participates in the multilateral security activities of the Council for Security Cooperation in Asia-Pacific. With the establishment of the Asia-Europe Meeting in 1996, a 'track-two' has been initiated which includes a multilateral security dialogue on various levels between the EU and East Asia. Since 1997, the EU through the European Commission is also a member of the Korean Peninsula Energy Development Organization. Moreover, the EU and its Member States were among the largest donors of humanitarian aid in the period 1997-2006, when North Korea was hit by famine. The EU has contributed to peace and security in the

region by assisting the establishment of democratic governments in Cambodia and East Timor and by ensuring the implementation of the peace agreement between the government of Indonesia and the Free Aceh Movement.

In terms of hard power, EU Member States have no permanent military forces in East Asia. The last permanent military forces left after the return of Hong Kong to China. The United Kingdom does however remain a member of the Five Power Defence Arrangements, a military consultation agreement between Australia, Malaysia, New Zealand and Singapore, while France also maintains an operational military presence in the Indian Ocean and the South Pacific. And EU Member States do sometimes become enmeshed in East Asia's military balance – though quite inadvertently – through the sale of arms and weapons systems.

### What options for the EU?

Maintaining a peaceful environment in East Asia should be a matter of priority for the EU. It seems an opportune time for EU policymakers to step up the Union's political presence in the region and make this an important part of the strategic guidelines of EU foreign policy. Three elements would politically strengthen the EU's burgeoning economic presence in East Asia: (i) prioritising support for regionalism, including plans for an East Asian community; (ii) further political dialogues with East Asia's major powers (China, Japan, South Korea) and regional groupings (ASEAN), including support for confidence-building measures and joint multilateral initiatives; (iii) beefing up EU presence in the region through the EEAS, but also considering a more punctual involvement such as appointing a Special Envoy for the Korean Peninsula whose mandate should include preparations for contingency plans in case the current *status quo* changes.