ASIA ON THE RISE

STRATEGIC SIGNIFICANCE AND IMPLICATIONS

No. 86, December 2013

ADVISORY COUNCIL ON INTERNATIONAL AFFAIRS
ADVIESRAAD INTERNATIONALE VRAAGSTUKKEN

AIV

Members of the Advisory Council on International Affairs

Chair	F. Korthals Altes
Vice-chair	Professor W.J.M. van Genugten
Members	Professor J. Gupta Dr P.C. Plooij-van Gorsel Ms Professor M.E.H. van Reisen Professor A. van Staden Lieutenant-General M.L.M. Urlings (ret.) Ms H.M. Verrijn Stuart Professor J.J.C. Voorhoeve
Executive Secretary	T.D.J. Oostenbrink

P.O. Box 20061
2500 EB The Hague
The Netherlands

telephone + 31 70 348 5108/6060
fax + 31 70 348 6256
aiv@minbuza.nl
www.aiv-advice.nl

Members of the combined EU, US and Asia Committee

Chair	Professor A. van Staden
Vice-chair	Lieutenant General M.L.M. Urlings (ret.)
Members	D.J. Barth
	D.J. van den Berg
	Dr N. van Dam
	Dr M. Drent
	Professor I. Duyvesteyn
	T.P. Hofstee
	Major General (Marine Corps) C. Homan (ret.)
	Dr A.R. Korteweg
	Dr C.M. Megens
	J. Ramaker
	N.P. van Zutphen
External member	Dr F.P. van der Putten
Executive Secretary	M.W.M. Waanders

Contents

Foreword

Introduction 6

I Asia in the 21st century 8

I.1 China: global player or regional power? 8

I.2 Asian response to the growing power of China 12

I.3 China's overtures to Southeast Asia 17

II America's reorientation towards Asia 19

II.1 US interests in the Asia-Pacific region 19

II.2 US policy on Asia 20

II.2.1 Renewed engagement with China? 21

II.2.2 Multilateral cooperation in Asia 23

II.2.3 Trilateral and plurilateral cooperation in Asia 24

II.3 Transatlantic relationship 'revisited'? 25

III European interests in Asia 26

III.1 Partnership with China 27

III.2 Partnership with India 32

III.3 Partnership with Japan 33

III.4 Partnership with South Korea 33

III.5 Partnership with ASEAN 34

III.6 A coherent Asia strategy? 36

IV Transatlantic cooperation in an Asian context 37

IV.1 Economic cooperation 37

IV.2 Integrated security 39

IV.3 Role for NATO in Asia? 42

V The growing power of Asia: new policy challenges 43

VI Summary and recommendations 50

Annexe I Request for advice

Annexe II List of terms

Annexe III List of abbreviations

Foreword

On 4 July 2013, the government asked the Advisory Council on International Affairs (AIV) to produce an advisory report on the growing power of Asia (see annexe I). The request had been prompted by the observation that the global balance of power is changing as power shifts to emerging countries, particularly in Asia. The shift mainly concerns economic power, though it is also evident in political and military terms. There are growing tensions in East and Southeast Asia. The strategic focus of US foreign and security policy is also now on this region more than in the past. The government asked the AIV to explore the implications of the reorientation of US foreign and security policy towards Asia (in particular Southeast Asia) and the Pacific, particularly the implications for NATO, the EU and the Netherlands.

The report was prepared by a combined committee established by the AIV, consisting of the following persons: Professor A. van Staden (European Integration Committee, CEI, chair), Lieutenant General M.L.M. Urlings (ret.) (Peace and Security Committee, CVV, vice-chair), D.J. Barth (CVV), D.J. van den Berg (CEI), Dr N. van Dam (CVV), Dr M. Drent (CVV), Professor I. Duyvesteyn (CVV), T.P. Hofstee (Human Rights Committee, CMR), Major General C. Homan (ret.) (CVV), Dr A.R. Korteweg (CVV), Dr C.M. Megens (CVV), J. Ramaker (CVV) and N.P. van Zutphen (CEI). Dr F.P. van der Putten (Netherlands Institute of International Relations, Clingendael) contributed to the report as an external expert. The executive secretary was M.W.M. Waanders. Additional assistance was provided by trainees Ms E.J. Tollenaar and L.W. van Haaften. The committee was assisted by civil service liaison officers Ms A. Faro and Ms E.H.T. van Eerten of the Ministry of Foreign Affairs and Ms E.S.A. Brands and M.J.W. van Meurs of the Ministry of Defence. The AIV consulted several experts, including Dr D. Stockman (Leiden University) and a Chinese delegation from the Shanghai Institutes for International Studies (SIIS). The AIV is indebted to everyone concerned for the information they provided and is also grateful to Professor G. Scott-Smith (Leiden University) for his valuable comments on earlier drafts of this advisory report.

The AIV adopted this report at its meeting on 6 December 2013.

Introduction

East and Southeast Asia – referred to in this report as the Asia-Pacific region – are developing into a focal point for international relations in the 21st century. The region is home to a large proportion of the world's population and living standards are rising faster there than in other regions. Over the past three decades, for example, China has not only achieved average annual economic growth of 10%, but has also managed to lift a considerable proportion of its population out of extreme poverty. Countries like South Korea, Singapore, Malaysia and Vietnam have also achieved impressive economic development over the same period. The growing weight of the Asia-Pacific region in the global economy is reflected, among other things, in closer economic ties and trade relations with the rest of the world. As a result, unrestricted passage for maritime traffic and stability in the Asia-Pacific region are not only in the interests of Asia, they are now also a global interest. The AIV was asked to explore in this report the implications of the growing power of Asia in the medium term and its impact on the security of the Netherlands.

The rise of China, now the most powerful country in Asia, is set to have a major impact on international relations within and outside the Asia-Pacific region over the next two decades. This advisory report therefore places considerable emphasis on China's growing power and its geopolitical ambitions and opportunities, and the response these will prompt in other countries in East and Southeast Asia. Confining the scope of the report in this way means that developments in other parts of Asia and the Pacific – India, the Gulf Region, Central Asia and Australia – have necessarily been afforded less focus. To have given India, in particular, the attention it deserves in light of its international position would have resulted in a much longer report.

On taking office in 2009, President Obama announced that he would be shifting the focus of US foreign policy to the Asia-Pacific region. Washington initially referred to this as a 'pivot to Asia', but this term inevitably aroused suspicion among China and America's allies in Europe, as well as others. In China, the 'pivot to Asia' was interpreted as a US attempt to consolidate its dominance in that part of the world, limiting the influence of China, while Europe wondered whether the US still valued the transatlantic relationship. Washington more cautiously redubbed its 'pivot to Asia' a 'rebalancing to Asia', explaining that the policy would include renewed engagement with China, in an attempt to strike a balance between cooperation and competition with the most powerful country in Asia. The Obama administration also called on Europe to engage in more strategic cooperation in Asia, including perhaps on security matters. This report explores the extent to which there has indeed been a US reorientation towards Asia, and if so what it implies.

Besides economic cooperation with China, Japan, South Korea and the countries of the Association of Southeast Asian Nations (ASEAN), the US also engages in bilateral security cooperation with Asian allies that regard the US military presence in the region as a necessary counterweight to the growing power of China. In the past the US has signed treaties guaranteeing the security of Japan, South Korea, the Philippines, Thailand, as well as Australia and New Zealand. The AIV was asked to interpret the significance of the shift in the United States' strategic focus to the Asia-Pacific region for NATO, the EU and the Netherlands.

Chapter I, ‘Asia in the 21st century’, looks at the growing economic and military power of China in the Asia-Pacific region and the response from Japan, Taiwan and Southeast Asia. The implications for future developments in the territorial disputes in the East and South China Sea are also discussed.

In chapter II, ‘America’s reorientation towards Asia’, the AIV considers the significance of the shift in the focus of US foreign policy to the Asia-Pacific. It will examine US interests and ambitions in the region and the significance of its bilateral and multilateral partnerships there.

Chapter III, ‘European interests in Asia’, looks at relations between the EU and Asia, observing that the EU and its member states consider such ties mainly in terms of markets (emerging or otherwise). Besides protecting economic and commercial interests, there are however other reasons for the EU to concern itself more with security and stability in Asia. Political and security cooperation with key Asian countries is vital if the Union is to act as a strategic player on the global stage and in Asia in particular.

In chapter IV, ‘Transatlantic cooperation in an Asian context, the AIV considers the potential for and obstacles to more strategic cooperation between the US and Europe in the Asia-Pacific region. Both the US and the EU are in favour of more multilateral cooperation via regional forums in Asia. Joint US and EU efforts could be particularly effective in lobbying for cooperative regional security structures. While US efforts to enhance security in the Asia-Pacific region focus mainly on ‘hard security’, the EU could define its contribution in terms of support for peacebuilding, conflict prevention and conflict resolution, also known as ‘soft security’.

In chapter V, ‘The growing power of Asia: new policy challenges’, the AIV answers the two main questions posed in the request for advice, and sets out its vision of Dutch foreign and security policy concerning the Asia-Pacific region.

Chapter VI, Summary and recommendations, summarises the main findings of the report point by point and presents its recommendations on the basis of those findings.

I Asia in the 21st century

It is China's intention to be the greatest power in the world[1]

China's peaceful development has broken away from the traditional pattern where a rising power was bound to seek hegemony[2]

Producing a balanced analysis of China's geopolitical role in the Asia-Pacific region and beyond is no easy task. The quotes above, from the former prime minister of Singapore and a 2011 Chinese white paper respectively, demonstrate that China's growing power and its geopolitical ambitions are open to widely differing interpretations. In proceeding, a distinction should be made between China's ambitions and potential in its own region and in the rest of the world.

Large parts of East and Southeast Asia have seen a decade of unprecedented economic growth. The downside of this economic rise has been the periodic escalation of tensions between China and Japan, and between China and several neighbouring states around the South China Sea. At the same time, there has been a sharp rise in military spending in the region, particularly by China. There have also been regular disputes between North and South Korea in response to North Korea's nuclear tests and rocket launches, and its military exercises close to the border. The following questions are considered in this chapter:

- Is China really on the way to becoming a global power, or has its influence been overstated?
- What attitude do Japan, Taiwan and Southeast Asia take to the growing power of China?
- What does the rise of China to become the most powerful country in Asia imply for future developments in the territorial disputes in the East and South China Seas?

I.1 China: global player or regional power?

For a proper understanding of China's rise in Asia, it is important to reflect on how China sees itself. Until the early 19th century China was a global power with a flourishing economy, which saw itself as the 'Middle Kingdom', the political heart of a great Asian civilisation. During the nineteenth century, however, China lost this position, first to the Western powers and then to Japan. This period, often referred to as the 'century of humiliation', lasted until the end of the Second World War. China considers its rise as a power in the 21st century a return to normality, as it resumes its position at the centre of the world – this time alongside the US. It is therefore striving for a position in the region at least equivalent to that of the US.

Economic power

China derives its status as a power primarily from the steady growth in its economy, exports and foreign direct investment (FDI). Its average annual economic growth in the period 2003-2014 was 10.3%, or some 40% of global economic growth. Chinese exports

1 Lee Kuan Yew, 'China's Growing Might and the Consequences', *Forbes*, 9 March 2011.

2 China's White Paper on Peaceful Development, 6 September 2011.

rose from USD 299 billion in 2001 – the year it joined the World Trade Organization – to USD 2,243 billion in 2012. Exports are a key element of China's economic growth strategy. Chinese foreign direct investment has also experienced steady growth, from USD 20 billion in 2006 to USD 84 billion in 2012.[3] Initially, it invested mainly in Asia and Africa, but since the onset of the financial crisis in 2008, there has also been a strong increase in Chinese investment in Europe and North America. This has taken the form of corporate takeovers in important economic sectors, and investment in infrastructure, such as ports.[4] In 2011 there were 77 Chinese corporate takeovers in Europe, worth USD 17 billion.[5] France and Germany attract the most Chinese investment in Europe, followed by the Netherlands. The Chinese invested €2.6 billion in the Netherlands in 2011.[6]

The visit by Chinese president Xi Jinping to Mexico, Costa Rica and Trinidad and Tobago prior to a two-day meeting with President Obama in June 2013 highlighted the fact that China is also extending its sphere of influence in Latin America. Indeed, it has overtaken the US to become Brazil's primary trading partner.

China has now also made clear its interest in the Arctic region, with its new shipping routes and reserves of oil, gas and mineral resources. In May 2013 China was granted observer status at the Arctic Council; prior to that it had already signed an agreement with Greenland on the mining of mineral resources and a free trade agreement with Iceland. In the next twelve months the AIV will produce an advisory report on strategic developments in the Arctic region.

China's foreign economic relations are carefully managed by the Communist Party and the government. These relations primarily serve China's national interests, particularly its internal stability. Since the late 1990s the government has been pursuing a policy of encouraging Chinese companies to expand into overseas markets. The policy has borne fruit, resulting in steady growth in Chinese exports and – since 2005 – rapid growth in foreign direct investment. China is expected to place even more emphasis on increasing its FDI in order to improve market access and give it access to technology, particularly in North America and Europe. Conversely, however, foreign investors can gain access to China only with the permission of the Chinese government. The country's main financial institutions and international companies are largely state-owned, though they

3 IMF, 'World Economic Outlook Database', April 2013. See: <http://www.gfmag.com/component/content/article/119-economic-data/12368-countries-highest-gdp-growth.html#axzz2Xnr3SrR1>. Accessed on 1 July 2013; UNCTAD, 'World Investment Report 2013: Global Value Chains: Investment and Trade for Development', New York and Geneva, June 2013, p. 46; UNCTAD statistics, <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>. Accessed on 1 July 2013.

4 François Godement and Jonas Parello-Plesner, 'The Scramble for Europe', *European Council on Foreign Affairs,* Policy Brief 37, July 2011; Frans Paul van der Putten, 'Het gedrag van China als grote mogendheid' (China's behaviour as a great power), *Internationale Spectator,* Volume 65 no. 4, April 2011, p. 197.

5 Advisory Council for Science and Technology Policy, 'China's Extended Hand: How Chinese and Dutch knowledge can Strengthen Each Other', The Hague, February 2012, p. 13.

6 National Bureau of Statistics of China, see: <http://www.stats.gov.cn/tjsj/ndsj/2012/indexeh.htm>. Accessed on 27 June 2013; De Nederlandsche Bank, <http://www.statistics.dnb.nl/betalingsbalans-en-extern-vermogen/index.jsp>. Accessed on 23 September 2013.

do generally operate on a commercial basis.[7] The Chinese government has large foreign currency reserves, estimated at USD 3.3 trillion in 2012, which its uses to buy foreign government bonds and shares. At the end of 2012 China's reserves accounted for some 30% of total global reserves. China's share of the US national debt was USD 1.25 trillion in March 2013 (some 8% of the total US national debt).[8] By buying up US public debt, China managed for many years to keep the value of its own currency artificially low relative to the US dollar, thus stimulating its own exports. This could potentially also give China political influence in its relations with the US. It prompted former Chairman of the Joint Chiefs of Staff Mike Mullen's widely quoted remark that the national debt was the US' biggest national security threat,[9] suggesting that at the very least China now had an important means of applying pressure to the US.

China's annual economic growth rate has now fallen to some 7 or 8%, raising the question of whether its growth figures will remain high in the coming years. Some analysts think that peace and stability in Chinese society can be guaranteed only if it sustains a growth rate of at least 7% a year. US economist Michael Pettis' prediction of a sharp fall in economic growth to 3% or lower in the next few years is therefore alarming. Any such decline, he says, is likely to come as a result of money wasted on a huge scale on unprofitable infrastructural and other projects, and the inability of the rest of the world to sufficiently absorb China's overcapacity.[10] For example, the dumping of Chinese solar panels produced with major state support on the European market is said to be a direct consequence of overcapacity among Chinese solar panel manufacturers.[11] New trade conflicts could occur in the future if China proves unable to transform its current economic model (based on investment and export) into one dominated by domestic private consumption. Over the next few years we shall see whether the financial, economic and social reforms announced at the Third Plenary Session of the Communist Party of China Central Committee can turn the tide.

Military power

The rise of the United Kingdom, and then the United States, as world powers in the 19th and 20th centuries respectively was accompanied by the acquisition of military bases beyond their national boundaries and the forward deployment of armed forces in strategically important regions. China currently has no military bases beyond its own borders (the peace missions it contributes to in Africa and Lebanon are temporary, and

7 David Shambaugh, *China goes Global: The Partial Power*, New York: Oxford University Press, 2013, p. 270.

8 See: <http://www.marketupdate.nl/nieuws/goud-en-zilvermarkt/bloomberg-china-kan-wereldwijde-goudreserves-twee-keer-kopen/>, 4 March 2013. Accessed on 23 September 2013; see: <http://useconomy.about.com/od/worldeconomy/p/What-Is-the-US-Debt-to-China.htm>, 3 June 2013. Accessed on 23 September 2013.

9 See: <http://www.defense.gov/news/newsarticle.aspx?id=65432>. Accessed on 12 November 2013.

10 Michael Pettis is Professor of Economics at Peking University and he advises governments (incl. Mexico and South Korea) on debt restructuring. Pettis accurately predicted the slowing of Chinese economic growth in 2012. 'Groei China zal hard terugvallen (Chinese growth will fall sharply)', *Het Financieele Dagblad*, 6 February 2013.

11 'Europa probeert vuist te maken tegen China' (Europe tries to stand up to China), *NRC Handelsblad*, 4 June 2013.

operate under the UN flag). It is keen to uphold the principle of non-intervention in the domestic affairs of other countries, and pursues a policy that rules out the establishment of military bases abroad.[12] Nevertheless, China does claim a leading position in the Asian region. It bases this claim – which as we mentioned earlier has its roots in its historical self-image as the Middle Kingdom – mainly on the impressive development of its economy over the past few decades. Furthermore, China's average rise in defence spending of 12% per annum since 1989 is an important indication that China is not only out for economic leadership, but is also seeking to tip the military balance in East Asia in its own favour. The annual growth in the defence budget outstrips the country's impressive economic growth figures.[13]

China's military capacity building is focused first and foremost on the defence of its own territory, including Taiwan, which it considers a renegade province, and the deployment of Chinese armed forces in the East and South China Seas. Chinese armed forces do not yet have sufficient capability at sea or in the air to engage in large-scale military operations far from home. China is however capable of contributing to anti-piracy operations off the coast of Somalia and to UN peace missions. It provides more military personnel than any other permanent member of the UN Security Council, mainly in the form of engineering and medical units. It deployed a combat unit for the first time during the UN peace mission in Mali, in a break with tradition, though this does not detract from the fact that China, unlike the US, is unable to exercise 'hard power' in conflicts outside its own region.[14]

The Chinese navy is expected to gradually extend its radius of action to the western Pacific and the Indian Ocean. It is developing step by step from a 'brown-water navy' for coastal defence to a 'blue-water navy' that can operate on the open sea to protect international shipping routes, among other things.[15] To deploy its navy further afield China would need free access to ports in Southeast Asia and on the Indian Ocean (Burma and Pakistan), as well as free passage to the Gulf States and Iran (via the Strait of Hormuz and the Persian Gulf) and the Middle East and Africa (via the Gulf of Aden and the Red Sea). However, the ports that China has built in Southeast and South Asia and East Africa are not primarily intended for use by its navy. China has large state-owned enterprises, such as COSCO, which are capable of providing the necessary logistical support for the Chinese navy, in collaboration with Chinese consular staff. In short, the Chinese navy could receive supplies and equipment via almost any large commercial port in Southeast Asia or around the Indian Ocean. For minor maintenance, Chinese navy vessels can go to Pakistan's naval port in Karachi, since China and Pakistan cooperate

12 David Shambaugh, *China goes Global: The Partial Power*, New York: Oxford University Press, 2013, p. 270.

13 Ibid., p. 274.

14 Ibid., pp. 288, 293-294; 'China is nog geen supermacht' (China is not yet a superpower), *Knack*, 19 February 2011.

15 90% of China's imports and exports are transported by sea.

closely on defence, and Pakistan is a major client of the Chinese defence industry.[16]

There is no reason to assume that China aspires to equal the US' global military capability in the next 20 years. It lags too far behind, at any rate. China does however aspire to parity with the US in the Asia-Pacific region. It does not intend to compete with the Americans in terms of numbers of aircraft carriers and frigates, but will rely on the use of ballistic missiles against aircraft carriers and of conventional submarines against frigates. China is concerned that US defence efforts are focused on curbing China's military options in the region and, in the event of a military conflict, blockading its supply routes for raw materials. This explains China's investments in anti-access and area denial (A2/AD) capabilities, including anti-ship ballistic missiles ('carrier-killers'), submarines, fighter aircraft and electronic warfare/cyber capabilities. The A2/AD strategy is designed to keep US forces away from the Chinese mainland and frustrate any attack on China's advanced underground command & control capabilities. China and the US are already more or less equal in terms of their ballistic missiles and space and cyber capabilities. China is also a nuclear power with intercontinental ballistic missiles.[17]

China is already feared militarily, as well as economically, in the region. It would however be unrealistic to think that China might within 20 years have the capacity to take military action in theatres further afield. This would depend largely on the expansion of the Chinese navy. China currently has limited naval capacity on the open sea, which allows it to operate in a region extending from the South China Sea to Indonesia and East Timor. China is systematically working to increase its influence in this region, which has been dominated by the American navy for the last 50 years. Its growing maritime scope and ambition will of course change the balance of power in the Asia-Pacific region. China's maritime ambitions are likely to extend further, particularly order to protect its economic interests. It will gradually shift its maritime footprint via the Pacific to encompass the entire world. However, this is likely to take longer than two decades.

China's engagement with the world as a whole would appear to be defined chiefly by its economic interests. As an economic power, it wants to retain access to vital raw materials and mineral resources and to markets in other countries, and is keen to protect strategic shipping routes. China's claim to regional leadership is a more or less logical consequence of current economic, geopolitical and military power relations. It faces opposition from the US, which also considers itself a Pacific power and wants to prevent Chinese hegemony in the region (see chapter II).

I.2 Asian response to the growing power of China

Japan

China is Japan's key trading partner, but their relationship is difficult when it comes to security. Japan considers its strategic relationship with the US, including the US security guarantee, vital. One important question for Japan is what the rise of China

16 David Shambaugh, *China goes Global: The Partial Power*, New York: Oxford University Press, 2013, p. 289; Kamerling, Susanne, and Frans-Paul van der Putten, 'An Overseas Naval Presence without Overseas Bases: China's Counter-piracy Operation in the Gulf of Aden', *Journal of Current Chinese Affairs,* 4/2011, pp. 132-134.

17 David Shambaugh, *China goes Global: The Partial Power*, New York: Oxford University Press, 2013, pp. 290, 294-298; 'China is nog geen supermacht' (China is not yet a superpower), *Knack*, 19 February 2011.

as a regional power will eventually mean for the US presence and the status quo in the Asia-Pacific region. Since 2010, Japan has faced increasingly threatening actions by China concerning the Senkaku/Diaoyu islands. China, Japan and Taiwan all claim these uninhabited rocky islands in the East China Sea. Prime Minister Shinzo Abe declared in parliament that Japan could not rule out military action if China were to attempt to seize the islands.[18] This response illustrates Japan's growing assertiveness (including militarily). The Senkaku/Diaoyu islands are, incidentally, covered by article 5 of the US-Japan Security Treaty, signed in 1960.[19]

Like China, Japan has a major interest in maintaining freedom of passage for ships. It depends on imports of raw materials and the unrestricted export of its industrial products. China's growing assertiveness in East Asia, naval expansion and claim to islands in the South China Sea have prompted Tokyo to conclude that its economic and territorial interests could be jeopardised. It is important to note in this connection that the Japanese navy, though smaller than its Chinese counterpart, has more advanced materiel.[20]

Japan assumes that China aspires to become a regional superpower and alter the status quo in the region, using force if necessary. The lack of transparency in China's defence programme, its growing defence budget and development of new capabilities, including an aircraft carrier, have aroused concern in Tokyo that China wants to increase its maritime influence and consolidate it by military means. Japan has accused China of activity in Japanese waters and airspace, and has warned that this could lead to accidents or confrontation. It says Chinese vessels violated Japan's maritime borders on 41 occasions in 2012, and the Japanese air force had to respond over 300 times to violations of its air space. It points in particular to an incident in January 2013, when a Chinese navy vessel directed its radar at a Japanese navy vessel. China denies the incident. In 2010 there was a maritime incident in the East China Sea, after which China temporarily suspended exports of rare earth metals to Japan. Tensions rose further when in 2012 the Japanese government made a bid for the Senkaku/Diaoyu islands, which were the property of a private Japanese owner. This sparked riots in China, the destruction of Japanese property and the hacking of Japanese websites. Japan is also concerned about the growing threat of cyber attacks from China.

There have been few confidence-building measures between China and Japan. China rejected the idea of a maritime hotline between the two countries to avoid the escalation of incidents. Nor have there been any meetings between high-ranking military staff from the two countries in recent years. Since the leader of the Liberal Democratic Party, Shinzo Abe, took office amendments to the constitution have been proposed, partly under pressure from ultra-nationalists. The amendments relate particularly to article 9, which forbids the use of armed forces to resolve international conflicts. The Abe government has so far failed to secure the required two-thirds majority in the Upper House of

18 BBC News Asia, 29 April 2013, <http://www.bbc.co.uk/news/world-asia-pacific-11341139>. Accessed on 3 July 2013.

19 David Lai, 'Asia-Pacific: A Strategic Assessment', Strategic Studies Institute of the US Army War College, Carlisle, May 2013, p. 43.

20 See: <http://defensestatecraft.blogspot.nl/2013/04/sino-japanese-naval-strength-comparison.html>. Accessed on 6 December 2013.

parliament. Although such a change in the constitution is not necessary for Japan to defend its territory, it is of great symbolic importance in acquiring domestic support for an enhanced defence policy. The Abe government also wants to lift Japan's self-imposed ban on arms exports.

In 2013 Japan established a national security council, made a small increase in its defence budget and began a review of defence guidelines from 2010 and the defence treaty with the US. The 2013 interim defence strategy announces that Japan intends to build up an amphibious capability and invest in unmanned surveillance and intelligence capabilities. Japan also plans to develop a ballistic missile defence system.

Japan welcomes America's increased interest in the Asia-Pacific region, and military reinforcements in the region. By investing in defence capabilities itself, it hopes to deepen its military ties with the US. However, Japan has raised questions about America's shrinking defence budget and its implications for its reorientation towards Asia. Japan is also concerned about the US willingness to come to its assistance in the event that tensions with China should lead to armed conflict. The summit between presidents Barak Obama and Xi Jinping earlier this year fuelled Japan's concerns about a *de facto* US recognition that China is a regional superpower. It fears that relations between the US and China would thus become too important to be derailed by a conflict over the uninhabited Senkaku/Diaoyu islands. This has given rise to a classic security dilemma: the US is concerned that growing Japanese assertiveness will lead to rising tensions with China, while Japan has expressed doubt about the credibility of US security guarantees. The surprising decision by the Chinese leadership in November 2013 to establish an 'air defence identification zone' covering the airspace over a large proportion of the East China Sea can be interpreted in this context as a measure designed to test US resolve.

A recent opinion poll revealed that 90% of respondents in China had a negative image of Japan, and that 80% of Japanese respondents had a negative image of China.[21]

In response to China's growing power, Japan has increased its defence budget for the first time in over ten years and is making overtures to other countries in the region. It is investing in security relations with other maritime nations in Southeast Asia, particularly Vietnam, Malaysia, the Philippines, Singapore and Indonesia. It is also strengthening its ties (mainly in the area of defence) with Australia, India and ASEAN. Japan considers the problems in the South China Sea and the East China Sea to be connected. In 2012 it sold twelve patrol vessels to the Philippines, and earlier this year Prime Minister Abe promised to help the Philippines strengthen its coastguard. In 2013 Japan also agreed on the sale of amphibian aircraft to India.

Other countries in the region have, incidentally, expressed displeasure at Japan's rhetoric and lack of sensitivity concerning its war history. Prime Minister Abe's visit late 2012 to the controversial Yasukuni Shrine – where the ashes of 14 executed WW II war criminals are kept –provoked negative reactions from Japan's neighbours. Its relations with South Korea have suffered as a result of the tensions over the Dokdo/Takeshima islands and Japan's unwillingness to discuss the sensitive issue of 'comfort women' in the Second

21 'Japanese Public's Mood Rebounding, Abe Highly Popular', Pew Research Center, 11 July 2013.

World War.[22] The rhetoric is often unfortunate. Japan has for example commissioned a new naval vessel with the same name as a ship that was involved in the invasion of China in the 1930s. Japan's apologies in regard to the Second World War are therefore taken less seriously in China, and are seen as simply formalities. Abe's attempts to amend article 9 of the constitution have also provoked negative reactions, particularly in China and South Korea.

Whether the current Japanese prime minister will eventually succeed in eliciting enough domestic support for his constitutional amendment will probably depend partly on Japan's economic development. Japan, the third-largest economy in the world, has for years been struggling with economic stagnation, an ageing population and a huge national debt (230% of GDP). Japan's influence in the Asia-Pacific region over the next few decades will depend above all on the degree to which it can reform its economy. If the reforms are successful, Prime Minister Abe is likely to gain enough economic and political capital to reinforce the country's armed forces and revise its 'pacifist' constitution.

Taiwan

Since President Ma Ying-jeou took office in Taiwan in 2008, the traditionally strained relations between Taiwan and the Chinese mainland have seen a significant improvement. Ma Ying-jeou is pursuing a policy of détente towards Beijing, based on three principles: no unification, no independence and no use of force.

Since 1979 the US has engaged in a policy of exporting arms to Taiwan, but only for the purposes of self-defence. The US sold some 11 billion dollars'-worth of arms to Taiwan between 2002 and 2010. The US officially endorses the One-China Policy, thus opposing Taiwanese independence. But it also takes the view that neither China nor Taiwan may take unilateral action to alter the status quo. The Taiwan Relations Act (1979) provides, among other things, for US support for Taiwan in the event of an attack by China.[23] At the same time, in Taiwan (as in Japan) the credibility of US security guarantees in the event of a sudden escalation of tensions with China is being called into question.[24] It should be borne in mind that for decades Taiwan's position has never led to armed engagement, despite tensions occasionally running high.

Southeast Asia

In the glory days of the old Chinese Empire, China was the dominant power in the region around the South China Sea. However, in the 19th and 20th centuries the Chinese lost influence in the region, first to the European colonial powers and then to Japan. At an international peace conference in San Francisco in 1951, to which neither Taiwan nor the People's Republic of China was invited, it was decided that Japan must cede the Islands in the South China Sea, but to whom was not specified. The Chinese foreign minister at the time, Zhou Enlai, referred to the agreement as a war treaty for the Western Pacific, rather than a peace treaty, given that Chinese claims to Taiwan and its surrounding

22 'Here Comes the Sun. Japan's leadership seeks to recapture the country's former glory', *Time,* Vol. 182, No. 15, 7 October 2013.

23 China has 1,100 ballistic missiles trained on Taiwan.

24 Xenia Dormandy, 'Prepared for Future Threats? US Defence Partnerships in the Asia-Pacific Region', Chatham House, June 2012, pp. 10-11.

islands, as well as the Spratly and Paracel Islands, had not been honoured.[25]

In the early decades of the Cold War, Southeast Asia was the scene of struggles for decolonisation, wars of independence, foreign military intervention and internal conflict that brought terrible hardship. In 1973 the US ended its military intervention in Vietnam, and two years later the entire country came under Communist rule. In 1975 Indonesia intervened in East Timor, resulting in an occupation that would last almost a quarter of a century. In the same year, the Khmer Rouge came to power in Cambodia and began an unprecedented reign of terror against the Khmer people. Only Vietnamese intervention in 1979 put a stop to the killing fields of Cambodia. The 1980s and 90s were a period of relative calm and economic growth in Southeast Asia, followed by a deep economic crisis in the late 1990s.

Since the beginning of this century most countries in the region have seen an uninterrupted period of economic growth, made possible partly by the rise of China as an economic power. China has now superseded the US as these countries' most important trading partner, but a number of Southeast Asian countries believe there is a downside to this growth in prosperity on the back of China's economic expansion. There are for example concerns about China's rapidly rising defence spending and the increase in incidents in the South China Sea related to claims of sovereignty over islands in the region.[26]

The South China Sea is a crucial international shipping corridor, linking the Indian and Pacific Oceans. It is also rich in oil and fish stocks. At the same time, it is the source of periodically rising tensions over the territorial claims of China, Taiwan and several Southeast Asian coastal states. The following disputes currently exist in the region:

- the Paracel Islands are occupied by China, and claimed by Vietnam and Taiwan;
- the Pratas Islands are occupied by Taiwan, and claimed by China;
- the Spratly Islands, parts of which are occupied by China, Taiwan, Vietnam, Malaysia and the Philippines, are claimed in their entirety by China, Taiwan and Vietnam; Malaysia, the Philippines and Brunei lay claim to parts of the islands;
- Macclesfield Bank and Scarborough Reef are not occupied, though they are claimed by China and Taiwan; Scarborough Reef is also claimed by the Philippines.[27]

The signing of the Declaration on the Conduct of Parties in the South China Sea (DoC) by the ten ASEAN countries and China in 2002 initially appeared to signal a breakthrough, bringing a diplomatic solution to the territorial disputes a step closer. The plan to agree a legally binding code of conduct roused expectations that a peaceful settlement could be arrived at for the disputes listed above. The 2005 trilateral agreement between China, Vietnam and the Philippines concerning joint exploration for oil and gas in the South China Sea – known as the Joint Marine Seismic Undertaking (JMSU) – also appeared to be a positive step. Notwithstanding these positive developments, however, the countries

25 David Lai, 'Asia-Pacific: A Strategic Assessment', Strategic Studies Institute of the US Army War College, Carlisle, May 2013, pp. 58-60.

26 Paul J. Bolt, 'Contemporary Sino-Southeast Asian Relations', *China: An International Journal*, Vol. 9, No. 2, September 2011, pp. 276-277.

27 Sarah Raine and Christian Le Mière, 'Regional Disorder: The South China Sea Disputes', The International Institute for Strategic Studies, London, March 2013, p. 13.

concerned have continued to strengthen their own presence on or occupation of the disputed islands.[28] Since 2007 the number of incidents in the vicinity of the islands has been on the increase again. Various incidents have occurred at sea, particularly between China and Vietnam and between China and the Philippines, with fishing boats being attacked or chased away.

China's territorial claims and the incidents in the South China Sea were high on the agenda of an ASEAN meeting in Vietnam in July 2010, which was also attended by US Secretary of State Hillary Clinton. She declared that free passage and respect for international law in the South China Sea was also in the US national interest. America's call for the territorial disputes to be settled by multilateral negotiations drew indignant diplomatic responses from Beijing, which regards the disputes mainly as bilateral issues. Hanoi, however, hailed Secretary Clinton's words as a diplomatic success for Vietnam in its dispute with China.[29] Recently, China agreed to an ASEAN proposal to set up a crisis hotline for maritime incidents in the South China Sea. There will also be a renewed attempt to reach agreement on a code of conduct for the South China Sea.[30]

The key question is whether the standards of international maritime law (UNCLOS) and diplomatic talks will predominate in the resolution of the conflicting territorial claims in the South China Sea, or whether the growing economic and/or military might of China will reduce Beijing's willingness to compromise.

I.3 China's overtures to Southeast Asia

For many years relations between China and Southeast Asia were dominated by mutual distrust. Fear of China was a factor in the establishment of ASEAN in 1967, in a period when China, under the leadership of Mao Zedong, supported uprisings in Malaysia, the Philippines, Burma, Thailand and Laos. Relations between China and Indonesia also deteriorated after General Suharto took power in 1965, and hundreds of thousands of Communists were murdered. Finally, the previously good relations between China and Vietnam turned sour, the low point being when China invaded Vietnam in 1979.[31]

From the early 1990s onwards, the Chinese government attempted to renew its ties with Southeast Asia. The region has high strategic importance for China because of the raw materials and mineral resources it supplies, and the major international shipping routes there (Strait of Malacca, South China Sea), which are essential to China's economic development. China's diplomatic efforts in the region were rewarded in 1996 with a

28 Ibid., pp. 46-47.

29 David Lai, 'Asia-Pacific: A Strategic Assessment', Strategic Studies Institute of the US Army War College, Carlisle, May 2013, pp. 284-285; Fenna Egberink, 'ASEAN, China's Rise and Geopolitical Stability in Asia', *Clingendael Paper* No. 2, The Hague, April 2011, pp. 20-22.

30 Speech by US Defense Secretary Chuck Hagel at the International Institute for Strategic Studies (Shangri-La Dialogue), Singapore, 1 June 2013.

31 Paul J. Bolt, 'Contemporary Sino-Southeast Asian Relations', *China: An International Journal*, Vol. 9, No. 2, September 2011, p. 278.

partnership with ASEAN, followed by the signing of regional cooperation agreements.[32] The highpoint to date of China's policy of closer relations with the region was the creation of the ASEAN-China free trade area (ACFTA) in 2010, which has increased trade by some 50%. For China, the ACFTA's importance is political and strategic as well as economic, since the current agreement increases Chinese influence in Southeast Asia at the expense of the US.[33]

Chinese overtures to Southeast Asia have unmistakably helped forge closer economic ties. China's main goal is to safeguard the economic growth it has achieved over the past decade. An escalation of the territorial disputes in the South China Sea would cause irreparable damage to China's economic prospects and is therefore highly undesirable from its point of view. Though mutual economic dependence reduces the risk of armed conflict, the possibility cannot be ruled out entirely. At the same time, the continued US military presence in the Asia-Pacific region, albeit against the will of China, provides a welcome counterbalance to growing Chinese influence and assertiveness for a number of ASEAN countries.

32 Declaration on the Conduct of Parties in the South China Sea (2002) and Treaty of Amity and Cooperation in Southeast Asia (2003).

33 Paul J. Bolt, 'Contemporary Sino-Southeast Asian Relations', *China: An International Journal*, Vol. 9, No. 2, September 2011, pp. 278-281; Fenna Egberink, 'ASEAN, China's Rise and Geopolitical Stability in Asia', *Clingendael Paper,* No. 2, The Hague, April 2011, p. 22.

II America's reorientation towards Asia

The Asia-Pacific has become a key driver of global politics.[34]

Since President Obama took office in 2009, East and Southeast Asia have been given a more prominent place in US foreign policy. The focus of the global economy is gradually shifting from the West (the Atlantic region) to the East (the Asia-Pacific region), and there has consequently been a shift in or reorientation of US economic, diplomatic and strategic efforts towards Asia. Now that the US has underlined its intention to remain a player in the Asia-Pacific region in the long term – including in a military sense – it is important to reconsider the strategic relationship between the two regional superpowers – the US and China.[35] Washington operates on the principle that conflict with China is to be avoided, and that the US should remain a credible security partner for its allies in East and Southeast Asia.

This chapter considers the significance of America's reorientation towards Asia. What are its interests in the Asia-Pacific region? What ambitions does it have as a regional player there, and what resources does it have to enable it to realise these ambitions? What does this reorientation towards Asia imply for the transatlantic relationship?

II.1 US interests in the Asia-Pacific region

Security and stability

The US has an interest in stability in the Asia-Pacific region and will keep open the option of taking action should China seek to gain military dominance in the region. After all, if China were to become the dominant power there, it could jeopardise the US' status as a global power. The US is also concerned that Asian allies whose security it has undertaken to guarantee could become involved in a security incident with China. The US is not only keen to limit China's influence (containment), but also to engage in dialogue and cooperation (engagement) in order to curb the potential for conflict in the Asia-Pacific region. Since there is no guarantee that diplomatic efforts will be successful, the US also has to be prepared for the possibility of military escalation in the event of a serious security incident. In other words, the US faces the difficult challenge of continuing to invest in constructive relations, while not losing sight of the risk that tensions with China might become increasingly difficult to manage, or that China's leaders, possibly in response to a domestic crisis, might seek an adventure on foreign soil.

There is no shortage of potential for conflict in the region. As stated earlier, besides the issue of Taiwan, China also has territorial disputes with several of its neighbouring states in the East and South China Seas. Violent Islamist movements in Indonesia and the Philippines are a worry for the US and its allies in the region, given the threat they pose to the internal stability of those countries. The nuclear weapons programme in North Korea, which is not party to the Non-Proliferation Treaty, is also a security risk to the US

34 Hillary Clinton, 'America's Pacific Century', *Foreign Policy*, November 2011.

35 Ibid.; Department of Defense of the United States of America, 'Sustaining Global Leadership: Priorities for 21st Century Defense', January 2012.

and its Asian allies, albeit of a different sort.[36]

Prosperity and trade

> *Asia-Pacific is critical to achieving my highest priority, and that's creating jobs and opportunity for the American people.*[37]

Asia's share of world trade has risen sharply since the start of the financial and economic crisis in the US and Europe. This is also reflected in trade with the US. Trade between the US and the ASEAN member states grew by 31% between 2009 and 2010, and jointly the APEC countries are now the United States' biggest export market.[38] Free passage at sea is therefore vital for the development and further growth of trade. The South China Sea is the most important international shipping route for trade with East Asia. Since the Second World War, the US, as the leading global power, has guaranteed the safety of maritime routes with an unparalleled maritime presence, a policy it has no intention of changing.

II.2 US policy on Asia

> *A secure and peaceful Asia is the foundation for the second area in which America is leading again.*[39]

The basic principle behind US policy on Asia has always been to prevent a single country in the Asia-Pacific region from becoming dominant. That is why last century the US went to war against Japan, in response to its attack on Pearl Harbor in 1941, and why it became involved in the war in Korea. US military involvement in the Korean War was prompted to a large extent by fear of Chinese dominance in East Asia. There was also another motive for its involvement in Korea. Some US policymakers thought that North Korea's attack in 1950 was orchestrated by the Soviet Union in order to exhaust the West in Asia, giving the Soviets a free hand in Europe.

In the 20th century Europe was the epicentre of two world wars and a Cold War; the US set itself the goal of preventing first Germany and then the Soviet Union becoming the dominant power in Europe. From such a dominant position, these countries would be able to threaten the security of the US and its status as a global power. The US is currently concerned that the country that develops into the regional superpower in Asia in the 21st century might also be in a position to make a bid for global dominance. In this context, the 21st century is therefore frequently referred to as 'America's Pacific Century'.[40]

36 Xenia Dormandy, 'Prepared for Future Threats? US Defence Partnerships in the Asia-Pacific Region', Chatham House, June 2012, pp. 20-21.

37 Speech by President Obama to the Australian parliament, Canberra, 17 November 2011.

38 Office of the United States Trade Representative, 'Association of Southeast Asian Nations (ASEAN): Recent Developments', 2011.

39 Speech by President Obama to the Australian parliament, Canberra, 17 November 2011.

40 Hillary Clinton, 'America's Pacific Century', *Foreign Policy*, November 2011.

Under President Obama, the US has aligned itself more than previously with longstanding regional efforts to establish more multilateral security cooperation in the Asia-Pacific region. The region itself is attempting step by step to create its own security architecture and economic cooperation structures in order to generate stability and prosperity. The US has committed itself to these efforts, attending the annual meetings of the ASEAN Regional Forum (ARF) and the East Asia Summit, as well as the biennial ASEAN Defense Ministers' Meeting-Plus (ADMM+), where joint security issues are discussed.

The US is also reinforcing its military presence in the Asia-Pacific region, in the hope of assuring its Asian allies of its unconditional support. After spending years on the ground in Iraq and Afghanistan, the US ground troops of the 1st and 3rd Marine Expeditionary Forces (I MEF and III MEF) plus the First Corps of the US Army (I Corps) and the 25th Infantry Division will henceforth be stationed in the Asia-Pacific region. In addition, 60% of the US Air Force's overseas capacity is already stationed in the region and 60% of the US naval fleet will have its home base there by 2020. America's military reinforcements extend beyond state-of-the-art technology and platforms in the region, also encompassing close collaboration with its Asian allies' military personnel and security experts.[41] The announced cuts to the US defence budget do nevertheless raise questions as to the feasibility of these military reinforcements in the region.

II.2.1 Renewed engagement with China?

Renewed engagement with China is one of the focal points of America's reorientation towards Asia. Former Secretary of State Hillary Clinton put it as follows: 'We are, together, building a model in which we can strike a stable and mutually acceptable balance between cooperation and competition."[42] Some analysts believe this renewed engagement actually means that the US wishes to work closely with China on an equal footing when it comes to economic matters, while clinging to the status quo in security terms, with the US as the only military superpower in the Asia-Pacific region. The Chinese government is believed to take the view that two important preconditions for closer cooperation with the US have yet to be met: the US must regard China as an equal and show respect for its vital interests.[43]

The 'defense strategic guidance' document presented by President Obama assumes that the US will retain its leadership status in the world, including in military terms. As regards China's rise as a regional power, it notes that this could impact on America's economic and security interests in two ways: in a positive sense if bilateral cooperation prevails in order to preserve peace and stability in East Asia, or in a negative sense if China is not clear about the strategic significance of its growing military might.[44] The document states for example that China's development of anti-access/area-denial (A2/

41 Speech by US Defense Secretary Chuck Hagel at the International Institute for Strategic Studies (Shangri-La Dialogue), Singapore, 1 June 2013; Kevin Rudd, 'Beyond the Pivot: A New Road Map for US-Chinese relations', *Foreign Affairs*, Volume 92, Number 4, March/April 2013.

42 Speech by US Secretary of State Hillary Clinton at the US Institute of Peace, Washington, 7 March 2012.

43 Daljit Singh, 'Pivoting Asia, Engaging China-American Strategy in East Asia Today', Institute of South East Asian Studies, October 2012, p. 5.

44 Department of Defense, United States of America, 'Sustaining Global Leadership: Priorities for 21st Century Defense', January 2012, p. 2.

AD) capability undermines US military power projection in the region. Military investments that would allow the US to respond to precision conventional weapons in an A2/AD environment have therefore been proposed.[45] A new operational concept often mentioned in this context is Air-Sea Battle, designed to enable the US to disable A2/AD capability on the Chinese mainland and at sea using large-scale physical and cyber attacks before it can be deployed against US military targets.[46] Critics argue that this concept involves major security risks. It has no clear strategic aim, and furthermore could prompt a new arms race between the US and China. The concept is also criticised for overlooking the importance of de-escalation and of managing conflict at a low level of intensity. Finally, the concept is said to greatly increase the risk of a preventive attack.[47] A possible alternative to Air-Sea Battle as an offensive concept involving attacks on the Chinese mainland and at sea, would be a full or partial naval blockade some distance from the Chinese coast, impeding the country's imports and exports; this is referred to as 'offshore control'. The aim would be to gradually increase the costs of overseas trade for China. As such, this concept offers better prospects for managing any military conflict with China at a relatively low level of intensity.[48]

Former US Secretary of State Henry Kissinger and former National Security Advisor Zbigniew Brzezinski have highlighted the huge risks that any escalation of tensions between the US and China would entail. They have called for more mutual understanding and cooperation. Specific agreements on crisis prevention between the US and China would be a first step, by analogy with US agreements with the Soviet Union during the Cold War. Former Australian prime minister Kevin Rudd believes that the beginning of President Obama's second term and President Xi Jinping's first term provides a window of opportunity for the two countries to work on a new strategic relationship at the highest political level. First, areas in which the two powers have shared interests should be identified. Achieving concrete results on non-controversial issues – such as anti-piracy operations and UN peace missions – would enhance mutual trust.[49] It should however be noted that the interdependence of the US and Chinese economies limits their freedom of choice when it comes to policy. The US has a large budget deficit which – as noted earlier – is partially financed by China (to the tune of around 8%), and the growth of the Chinese economy depends on the US market remaining open to Chinese products.

45 Ibid., pp. 4-5.

46 Center for Strategic and Budgetary Assessments, 'AirSea Battle: A Point-of-Departure Operational Concept', Washington DC, May 2010.

47 David Gompert and Terrence Kelly, 'Escalation Cause: How the Pentagon's new strategy could trigger war with China', *Foreign Policy*, 2 August 2013; Amitai Etzioni, 'Who Authorised Preparations for War with China?', *Yale Journal of International Affairs*, Summer 2013; International Institute For Strategic Studies, 'New US military concept marks pivot to sea and air', *IISS Strategic Comments,* Volume 18, Comment 20, May 2012.

48 T.X. Hammes, 'Offshore Control: A Proposed Strategy for an Unlikely Conflict', Center for Strategic Research, Strategic Forum, No. 278, NDU Press, June 2012.

49 Kevin Rudd, 'Beyond the Pivot: A New Road Map for US-Chinese Relations', *Foreign Affairs*, Volume 92, Number 4, March/April 2013.

During the visit by China's then vice-president (and current president) Xi Jinping to Washington in February 2012, the two sides expressed a willingness to explore the potential for closer bilateral cooperation. President Xi Jinping's two-day visit to California in June 2013 was also aimed at improving Sino-American relations and enhancing mutual understanding and trust. The two presidents had detailed discussions on economic, trade and security matters. It is still too early to take stock of the results. China will probably aim, using diplomatic tools, to test America's willingness to make major concessions on its military presence in the Asia-Pacific region, while continuing along its current path of strengthening its armed forces. Positive steps were taken in the area of security when the Chinese Minister of Defence visited his US counterpart Chuck Hagel in August 2013, when they discussed the scope for joint military exercises. In 2014, for example, the Chinese navy will be taking part in the 'Rim of the Pacific' international maritime warfare exercise.[50]

The strategy of dialogue and cooperation with China also entails risks for the US. It might prompt China to become more assertive over territorial disputes in the East and South China Seas, testing America's determination and its willingness to take action against China.[51]

II.2.2 Multilateral cooperation in Asia

The United States' reorientation towards Asia entails a broad regional diplomatic and economic strategy, which includes an increase in US foreign aid to the Asia-Pacific region, US attendance at the East Asia Summit (EAS), support for a new generation of regional trade and investment agreements through APEC (Asia-Pacific Economic Cooperation), support for the Association of Southeast Asian Nations (ASEAN) and support for water and flood management as part of the Lower Mekong Initiative.

The US also maintains numerous bilateral and multilateral partnerships in the region, and in the past has signed treaties guaranteeing the security of Australia, the Philippines, Japan, New Zealand, Thailand and South Korea. A report by the RAND Corporation considered whether in 20 years' time the US will still be capable of defending friendly nations near China in the event of a hostile attack. It concluded that US diplomacy would be better targeted at concluding cooperative security agreements in East and Southeast Asia, directly involving China as far as possible.[52] Kevin Rudd believes that the US and China must work together to put in place confidence-building measures on security matters via the EAS and ADMM+.[53] This inevitably prompts comparison with the Organisation for Security and Cooperation in Europe (OSCE), in which the US, Canada and Europe, including the Central Asian republics belonging to the former Soviet Union, work together on the development of and compliance with confidence-building measures in the area of security. The OSCE can also mediate at an early stage in the event of conflict between and within its member states.

50 Robert Burns, 'Hagel says he will visit China next year', Associated Press, 19 August 2013.

51 Daljit Singh, 'Pivoting Asia, Engaging China-American Strategy in East Asia Today', Institute of South East Asian Studies, October 2012, p. 8.

52 James Dobbins et al., 'Conflict with China: Prospects, Consequences and Strategies for Deterrence', Rand Corporation, Santa Monica, 2011.

53 Kevin Rudd, 'Beyond the Pivot: A New Road Map for US-Chinese Relations', *Foreign Affairs*, Volume 92, Number 4, March/April 2013.

Multilateral cooperation via the EAS, APEC, ARF and ADMM+ requires a long-term commitment from the US. Previous US calls for ASEAN to be modelled on the European Union have been rejected by the governments concerned. They regard ASEAN as an important forum for dialogue, but do not feel bound to reach agreement on common policy positions that are binding on all members. The ASEAN nations prefer 'soft integration'. The sovereignty of individual member states in ASEAN is not up for discussion. Nevertheless, it would be wrong to underestimate the importance of this multilateral organisation. Personal contacts between heads of government and ministers are an important way of enhancing mutual trust. In the longer term, trust may prove very useful in the peaceful resolution of protracted conflicts (of interest and otherwise).[54]

II.2.3 Trilateral and plurilateral cooperation in Asia

Effective multilateral cooperation in Asia will take patience and perseverance. The US has therefore been forced to invest in trilateral or plurilateral cooperation[55] with countries and partners in the region. Examples of emerging trilateral cooperation include the dialogues between India, Japan and the US, and between India, Australia and the US. Talks between Japan, South Korea and the US have proved less successful because of the difficult relations between these two Asian powers. There is incidentally a risk that Beijing will interpret trilateral and plurilateral talks as an US containment strategy towards China, particularly in the case of the imminent Trans-Pacific Partnership agreement (TPP), which does not (as yet) include China. Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam are currently participating in the negotiations on a TPP. It is strategically important that the US prevent China being excluded from the TPP, and that China be given the prospect of joining at some point.[56]

The best-known plurilateral talks in East Asia are the six-party talks,[57] whose participants negotiated from 2003 to 2009 on North Korea's nuclear weapons programme. The programme poses a serious threat to the security of both the US and its allies South Korea and Japan, and has prompted an arms race between North Korea and these countries. For its part, the US has had to make major military investments to maintain stability on the Korean Peninsula. North Korea walked out of the six-party talks in 2009. The nuclear test that the regime conducted in February 2013 highlights the importance of resuming the talks as soon as possible. However, to date North Korean leader Kim Jong-un's only response to the sanctions introduced by the UN has been to use threatening war rhetoric. Latest reports suggest that he has moderated his tone somewhat, under pressure from China. China's attitude will probably determine whether the six-party talks can be resumed, since North Korea is heavily reliant on Chinese support.

54 Xenia Dormandy, 'Prepared for Future Threats? US Defence Partnerships in the Asia-Pacific Region', Chatham House, June 2012, pp. 27-28, 33.

55 Cooperation between a small group of countries.

56 Xenia Dormandy, 'Prepared for Future Threats? US Defence Partnerships in the Asia-Pacific Region', Chatham House, June 2012, p. 28.

57 Involving China, Russia, the United States, Japan, South Korea and North Korea.

II.3 Transatlantic relationship 'revisited'?

'The Asia-Pacific rebalance is not a retreat from other regions of the world.'[58]

The reorientation towards Asia is not a fundamental break in US foreign and security policy, and the Obama administration has stressed that it should not be seen as a choice between Asia and Europe. It is more appropriate to regard it as a logical shift in the focus of US policy towards the Asia-Pacific region resulting from changing geopolitical power relations. Under President George W. Bush (2001-2009), the US was already embarking on new partnerships with India, Indonesia and Vietnam. President Obama went one step further by underlining the growing importance of the entire Asia-Pacific region for the US. This does not however mean that the US will turn its attention away from important diplomatic and security issues in other regions, like Syria, Iran and Israel/Palestine. It might however mean that in future the US will be less quick to take action to reduce security risks in Europe's neighbourhood, and will encourage its European allies to take more responsibility for crisis management in fragile states like Libya and Mali.

In their joint statement on the Asia-Pacific region (July 2012), EU High Representative for Foreign Affairs and Security Policy Catherine Ashton and US Secretary of State Hillary Clinton declared the EU and US' intention to ensure more dialogue and cooperation between Brussels and Washington on the region.[59] The transatlantic relationship would become more important for Washington if the US and Europe – both the EU and individual member states – were able to engage in more strategic cooperation in the Asia region, including on security matters. The negotiation of a Transatlantic Trade and Investment Partnership (TTIP) between the EU and US would also have huge significance for the transatlantic relationship, and could boost their combined economic power in Asia.

The following chapter looks first at Europe's interests in Asia and the EU's partnerships in the region. Chapter IV considers where European and US interests in Asia overlap, and where they might diverge. A possible role for NATO in the Asia-Pacific region is also discussed.

58 Speech by US Defense Secretary Chuck Hagel at the International Institute for Strategic Studies (Shangri-La Dialogue), Singapore, 1 June 2013.

59 Joint EU-US statement on the Asia-Pacific region, Phnom Penh, 12 July 2012. See: <http://www.eu-un.europa.eu/articles/en/article_12417_en.htm>. Accessed on 14 August 2013.

III European interests in Asia

The US will be an Asian power. We [the EU] will be an Asian partner[60]

This quote from an EU official illustrates the fact that the EU is seeking a different relationship with Asia than the US. The Union places more emphasis on economic and trade relations with Asia, particularly East and Southeast Asia, and less on the security relationship. The EU, and the individual countries in Europe, regard Asia primarily in terms of markets (emerging or otherwise), rather than as a region where national security interests are at stake. This attitude is understandable, given that four Asian countries feature in the EU's top ten most important trading partners: China (2), Japan (7), India (9) and South Korea (10). The ten ASEAN nations together are the EU's third largest trading partner (after the US and China).[61]

Further growth in trade with Asia depends to a large degree on the establishment of new free trade agreements. The EU signed free trade agreements with South Korea in 2010 and with Singapore in 2012, and is currently engaged in talks with Japan, India, Malaysia, Vietnam and Thailand. Talks on reciprocal investment protection will soon start with China. In the longer term, the EU hopes to integrate its bilateral free trade agreements with Southeast Asian countries into a comprehensive regional free trade agreement with ASEAN.[62]

European and Dutch security interests in Asia are primarily derived from our economic interests there. In view of our steadily expanding economic and trade relations with Asia, it is also in the EU's interests to contribute where possible to conflict prevention and stability in the region. Escalation of a territorial dispute, in the South China Sea for example, could have serious implications for free passage at sea and international trade. This is especially significant for the Netherlands given the openness of its economy and Rotterdam's role as a transit port to the German hinterland in particular.

Nevertheless, besides economic interests, there are other reasons for the EU to concern itself with security in Asia. As a self-appointed normative power, the Union is interested in the extent to which international law is enforced in that part of the world. It is a question that mainly concerns the willingness of the countries concerned to seek the peaceful settlement of territorial disputes. In this context, there is a role for the EU in persuading China to bring territorial disputes before the appropriate international courts, or to seek arbitration. The EU also sets great store by an effective policy of non-proliferation. Regional conflicts and instability can prompt state actors, and also non-state actors, to acquire weapons of mass destruction. The simultaneous acquisition of nuclear weapons by archrivals India and Pakistan in 1998 is a good example. For years, there has been great concern over North Korea's nuclear weapons programme, which also impacts

60 Laurence Norman, 'EU looks to its own Asia pivot', *Wall Street Journal*, 3 May 2012.

61 See: <http://www.euractiv.com/global-europe/asean-eu-time-strategic-partners-analysis-519684>. Accessed on 19 September 2013.

62 European Commission Memo, 'The EU's bilateral trade and investment agreements – where are we?', Brussels, 1 August 2013.

on European interests, although neither the EU nor any individual European country participates in the six-party talks on North Korea. Finally, EU interests are affected by Asian countries' attitude to climate change. However, we should note that EU interests are better served by a power balance in Asia than by a conflict between China and the US.

To become a strategic global player, the EU will also have to achieve more political and security cooperation with important countries in Asia, in addition to economic cooperation. The EU regards China, India, Japan, South Korea and ASEAN as its most important trading partners in Asia. These four countries are increasingly becoming strategic players outside their own region, thanks in part to their involvement in UN-mandated crisis management operations and international anti-piracy operations at sea. As a permanent member of the UN Security Council, China also plays a key strategic role on international security issues.

There are no clear criteria for upgrading the EU's bilateral relations with a particular country to the status of strategic partnership. Brussels has no official definition of the term 'strategic partner', which in fact simply means that relations are important and wide-ranging. Generally speaking, existing and emerging regional powers that play an influential role on the world stage are already regarded as strategic partners.[63] They can be divided into 'partnerships of choice' with like-minded countries (Japan, South Korea) and 'partnerships of necessity' with countries that are in a position to promote or harm EU interests (China, Russia).[64]

III.1 Partnership with China

Economic cooperation

Since China joined the WTO in 2001 it has clearly made its mark on the development of global trade. China's impressive growth in prosperity since the turn of the millennium would have been unthinkable without large-scale imports of mineral resources and raw materials. The sharp rise in domestic economic activity in China is based in large part on the supply of mineral resources and raw materials from all over the world. Europe, which has relatively few natural resources, is an important market for Chinese goods. There has also been a remarkable rise in Chinese investment in Europe since the onset of the financial crisis in 2008. China is also interested in the advanced technologies available in Europe.

The EU's biggest problem in its relations with China is the lack of cooperation between its member states. Shortly before the start of the financial crisis the EU member states agreed on a coordinated EU-China strategy that would form the basis for talks with China on a Partnership and Cooperation Agreement (PCA).[65] However, little now remains of any coordinated EU strategy. Countries in financial difficulties as a result of a rising national debt and falling revenue (including Bulgaria, Greece, Hungary, Italy, Portugal and Spain) are attracting Chinese investors to boost their economies. These countries are therefore no longer inclined to publicly criticise China's reluctance to open its markets to European

63 Brazil, Canada, China, India, Japan, Mexico, Russia, South Africa, South Korea and the United States.

64 Giovanni Grevi, 'Why EU Strategic Partnerships Matter', ESPO Working Paper no. 1, June 2012, p. 9.

65 Communication from the Commission to the Council and the European Parliament, 'EU-China: Closer Partners, Growing Responsibilities', Brussels, 2006.

companies. On the other hand, a group of countries that includes Denmark, Germany, the Netherlands, Sweden and the United Kingdom wants reciprocal market access from China, though they are cautious about pursuing an assertive EU trade policy against an assertive, and sometimes aggressive, China.[66] In the opinion of some commentators, for example, the Netherlands has turned against the common EU interest of preventing unfair competition over the issue of the dumping of solar panels manufactured with Chinese state support on the European market.[67] The divisions among EU member states hamper talks with China on the opening of markets and on a level playing field for European firms wishing to invest in China.[68]

The EU will have to press for a partnership with China based on mutually binding agreements. It is realistic to assume that China will do its utmost to keep its economic growth at a high level. To this end, it will continue on its current path of providing state support to Chinese companies which will gain market share at the expense of foreign firms. China's economic power politics will likely be more and more concerned with high-tech economic sectors over the coming years, thus also affecting competitive markets like the Netherlands. The response to the economic challenges Beijing poses the EU will involve an expansion and strengthening of the common market that has formed the basis of European prosperity for decades. The member states must also give the European Commission a firm mandate to negotiate economic cooperation on an equal footing with China, accompanied by reforms in both economies. Such cooperation must be based not on protectionism or blind faith in free trade, but on economic realism. The principle should be: open markets where feasible, and restrictions when required.[69]

If the EU proves incapable of uniting its own political and economic forces, we will face the risk of:
- protectionism, which will lead to an irreversible decline in our competitiveness and to price rises;
- subsidised Chinese capital goods gaining the upper hand over European corporate capital, which would lead to a decline in European competitiveness and growing political and social unrest.[70]

A common EU trade policy is also in the Netherlands' interests, but if it turns out that important EU member states are seeking national benefits through bilateral deals at the expense of other member states, the Netherlands will have no choice but to lobby for the return of unity in EU policy, or otherwise choose the bilateral option of defending its own national interests, with all the attendant consequences.

66 John Fox and François Godement, 'A Power Audit of EU-China relations', European Council on Foreign Relations, London, April 2009, p. 6.

67 Jonathan Holslag, 'Nederland geeft zich over aan China', (Netherlands submits to China) *NRC Handelsblad*, 1 June 2013.

68 François Godement and Jonas Parello-Plesner, 'The Scramble for Europe', European Council on Foreign Affairs Policy Brief 37, July 2011, pp. 1-2, 7.

69 Jonathan Holslag, 'Assessing Sino-European Trade Relations', Discussion note prepared for ISS seminar, Paris, October 2012.

70 François Godement and Jonas Parello-Plesner, 'The Scramble for Europe', European Council on Foreign Affairs Policy Brief 37, July 2011, p. 10.

Like other European countries, the Netherlands has close bilateral relations with China. Direct Dutch interests in trade and investment relations and in science and technology collaboration can best be represented on a bilateral basis. However, there is an imbalance in Sino-Dutch trade and investment relations. China exports four times more goods to the Netherlands than the Netherlands exports to China (including Hong Kong and Macau).[71] Conversely, Dutch investment in China (including Hong Kong and Macau) is four times greater than Chinese investment in the Netherlands.[72] However, China has considerable foreign exchange reserves and is in search of profitable investment opportunities all over the world. It sees the Netherlands as a knowledge-based economy and logistical hub in Europe, thanks above all to the port of Rotterdam. It is therefore reasonable to expect Chinese investment in a technologically advanced country like the Netherlands to rise sharply in the coming years. China is interested above all in gaining access to essential knowledge and technology, through both scientific collaboration and investment in or takeovers of Dutch companies.

Collaboration between leading Dutch and Chinese research institutes and joint seminars with think-tanks from China provide good opportunities for developing an open relationship with China. Contacts between scientists facilitate exchange that may eventually filter through into policymaking circles. This is also referred to as 'science diplomacy' – a special form of 'second track diplomacy' – by way of confidence-building measures and long-term investment in sustainable relations with China. In this way, Dutch research can help deepen our bilateral relations with the Chinese.

The Dutch government aims to attract leading Chinese companies to the Netherlands. There are currently 350 Chinese companies based here, employing over 7,000 people. The AIV would point out that the unrestricted sharing of scientific and technological know-how with the Chinese is not without risk. The Netherlands has twelve vital infrastructures and will therefore have to consider what knowledge is vital to the Dutch economy and how it can be preserved and strengthened.[73] Whenever Chinese corporate takeovers target vital parts of our infrastructure, such as communications networks and port facilities, it would be appropriate to conduct some form of assessment of the potential impact on our national interests or national security. It is important that procedures and criteria for this kind of assessment are also coordinated at EU level.

Security cooperation

Despite its distinctly Westphalian views about national sovereignty and non-intervention, since the late 1990s China has gradually begun to take a different view of the role of the UN and regional organisations in alleviating acute need in fragile states. For example, it has supported international action in Timor-Leste (1999), Afghanistan (2001), Libya

71 China exported goods to the value of €32.7 billion to the Netherlands in 2011; Dutch exports to China were worth €8.3 billion. Source: Statistics Netherlands (CBS) 2013. See: <http://statline.cbs.nl/StatWeb/selection/default.aspx?DM=SLNL&PA=7137SHIH&VW=T>. Accessed on 27 September 2013.

72 The Netherlands invested €11.8 billion in China in 2011 as opposed to €2.5 billion Chinese investment in the Netherlands. Source: De Nederlandsche Bank (DNB) 2012. See: <http://www.statistics.dnb.nl/betalingsbalans-en-extern-vermogen/index.jsp>. Accessed on 27 September 2013.

73 Advisory Council for Science and Technology Policy (AWT), 'China's Extended Hand: How Chinese and Dutch Knowledge can Strengthen Each Other', The Hague, February 2012; Ministry of Foreign Affairs, 'Trade and Investment Relations between the Netherlands and China 2013', The Hague, 2013.

(2011), and currently supports the UN operation in Mali. China and the EU have also been moving cautiously towards a unified position on the response to security risks like international terrorism and piracy. This led in 2010 to agreements on a strategic dialogue between the EU High Representative for Foreign Affairs and Security Policy and the Chinese Minister of Foreign Affairs, in addition to the economic and trade dialogue agreed in 2008. The strategic dialogue covers a wide range of issues, from climate change to non-proliferation and regional security in the Asia-Pacific region (East and South China Sea) and the European neighbourhood (North Africa and the Middle East). In July 2012, further agreement was reached on a security and defence dialogue, including joint military training and exchange of know-how on crisis management and anti-piracy operations. The EU Security and Defence College and NATO Defence College could, for example, host joint seminars for officers along with Chinese defence colleges. The hope is that these arrangements will enhance mutual trust and, in the long term, persuade the Chinese to be more candid about the modernisation of their armed forces. This could alleviate current concerns about China's military intentions.[74]

It should be noted that the EU also engages in certain forms of police cooperation with China. This is referred to as investing in 'soft security'. The two sides exchange information on nuclear safety, digital security, organised crime and corruption. The EU and China have growing contacts under the UN Convention against Transnational Organised Crime and the UN Convention against Corruption, consulting each other on measures to counteract the arms trade, human trafficking and money laundering. There are also plans for more cooperation on police training. It should be remembered in this connection that many Chinese criminals are active in Europe. In more general terms, the EU and China consider dialogue, training and exchange on both internal and external security as parts of a more practically-oriented future partnership.[75]

Looking specifically at the Netherlands' contribution, it is worth noting that the Dutch cooperate with China in both areas – internal and external security. In terms of military cooperation, maritime cooperation between the Netherlands and China to combat piracy has existed for a number of years now. It was recently decided that the potential for data exchange between Dutch and Chinese hydrographic services should be explored, which would enhance the safety of shipping in the North Sea, where many Chinese vessels sail. The way has also been paved for cooperation on military training thanks to recent agreements on the exchange of staff officers between Dutch and Chinese defence training colleges, and the exchange of knowledge between the School for Peace Operations and its Chinese counterpart. Dutch and Chinese participation in the UN mission in Mali will also provide opportunities for closer bilateral cooperation, which could serve as a confidence-building measure. Troops from the Chinese People's

74 Bates Gill and Andrew Small, 'Untapped Trilateralism: Common Economic and Security Interests of the European Union, the United States and China', Europe China Research and Advice Network, London, 2012, pp. 15, 28; Patryk Pawlak ed., 'Look East, Act East: Transatlantic Agendas in the Asia Pacific', European Union Institute for Security Studies, Paris, December 2012, p. 49.

75 EU-China 2020 Strategic Agenda for Cooperation, 23 November 2013. See: <http://eeas.europa.eu/delegations/china/documents/news/20131123.pdf>. Accessed on 9 December 2013.

Liberation Army will for example provide security at the UN base in Gao where Dutch soldiers are also stationed.[76]

The Netherlands also works with China on police matters. In 2009 the two countries concluded a number of agreements, albeit limited to non-operational matters. These related mainly to the exchange of expertise and information in various areas, such as measures to combat human trafficking, corruption and cyber crime. The main goal for the Netherlands is to acquire more knowledge of Chinese criminal organisations, including their cultural background.

EU arms embargo

On the issue of the arms embargo against China introduced in 1989, the EU is struggling to define a coherent strategy that unites its (economic and security) interests and (political) values. This issue also has a bearing on the transatlantic relationship. The arms embargo is currently linked to the human rights situation and the situation in Taiwan. For the US, it is very important that, if a conflict threatens to arise between the US and China, China cannot use weapons from Europe. Though a majority of EU member states voted not to lift the arms embargo in December 2006, partly in order not to damage relations with the US, in Brussels it is becoming steadily more apparent that the embargo limits the scope for strategic dialogue with China. EU High Representative Ashton said during the European Council in December 2010, 'The current arms embargo is a major impediment to developing stronger EU-China cooperation on foreign policy and security matters. The EU should assess its practical implication and design a way forward.'[77]

In 2007 the AIV advised that the arms embargo against China be lifted, for the following reasons:

- perpetual enforcement of the embargo is a form of conditionality that goes against the spirit of partnership that has been growing between the parties concerned for almost 20 years;
- there are doubts as to whether the ban is effective, to the extent that it appears to have become merely symbolic, and does nothing to enhance respect for human rights;
- the human rights situation in China has been gradually improving in recent times;
- the political situation regarding Taiwan seems to have stabilised.[78]

The AIV would note that there has been no strategic discussion of the impact and tenability of the EU arms embargo against China. Nor was it discussed in the policy document 'Guidelines on the EU's Foreign and Security Policy in East Asia' adopted in

76 'De nieuwe krijgsmacht, beschermd door Chinezen' (The new armed forces, protected by the Chinese), *NRC Handelsblad*, 28 November 2013; Ministry of Defence, 'More military cooperation with China', 15 July 2013. See: <http://www.defensie.nl/actueel/nieuws/2013/07/15/46207233/Meer_militaire_samenwerking_met_China>. Accessed on 27 August 2013.

77 Andrew Rettman, 'Ashton pragmatic on China in EU foreign policy blueprint', *EU Observer*, 17 December 2010. See: <http://euobserver.com/china/31538>. Accessed on 30 August 2013.

78 AIV advisory report no. 55, 'China in the Balance: Towards a Mature Relationship', The Hague, April 2007, pp. 59-60.

2012.[79] The EU should first enter into discussion with the US about the possibility of lifting the embargo, before turning to China and other relevant countries in the region with any proposals. The following could potentially be regarded as prerequisites for any decision to lift the embargo:

(a) cooperation on the drafting of an international code of conduct on the territorial disputes in the South China Sea;
(b) greater transparency on China's part on the scale and composition of its armed forces; and
(c) China's willingness to engage in a meaningful dialogue on the current human rights situation in the country.

If the decision on lifting the EU arms embargo were to be made contingent on China's position on each of these points, it might encourage China to address the concerns of Western governments.

III.2 Partnership with India

For many years the EU had a partnership relationship with India that focused almost entirely on development cooperation. Since the turn of the millennium the focus of bilateral cooperation has shifted more towards trade and economic relations. In 2004 bilateral relations were upgraded to a strategic partnership, though this has not yet led to any substantial improvement in mutual relations. The interests and priorities of the EU and India are very different. For the EU, trade, security, energy, climate change and strengthening multilateralism are key priorities in its relations with India. For India, the most important elements of the relationship are cooperation on sustainable agriculture, service provision and technology transfer aimed at sustaining its economic growth. There is therefore a mismatch between the interests and priorities of the two partners.[80]

The EU and India have been negotiating a free trade agreement since 2007, though without success to date. The EU virtually always introduces political clauses concerning human rights and non-proliferation of weapons of mass destruction. These conditionalities prompt resistance on the part of India. Major interests are at stake. India has much to gain from a free trade agreement that guarantees it preferential access to the EU's internal market. The EU is India's most important trading partner. India's greatest concern is to maintain its economic growth over the coming years, in view of its rapidly growing population. Creating jobs is therefore the Indian government's highest priority. The country has a well-educated workforce and is attempting to gain access to the European market for Indian service providers. At the same time, it is concerned that, after a free trade agreement entered into force, Indian agricultural produce might be displaced by European produce from farms that receive large agricultural subsidies.[81]

79 Council of the European Union, 'Guidelines on the EU's Foreign and Security Policy in East Asia', 15 June 2012. See: <http://register.consilium.europa.eu/pdf/nl/12/st11/st11492.nl12.pdf>. Accessed on 9 September 2013.

80 Giovanni Grevi (ed.), 'Mapping EU Strategic Partnerships', FRIDE, Madrid, 2010, pp. 20-21.

81 Geethanjali Nataraj, 'Why can't India and the EU sign an FTA?', 14 June 2013. See: <http://www.eastasiaforum.org/2013/06/14/why-cant-india-and-the-eu-sign-an-fta/>. Accessed on 22 August 2013; Rohit Sinha and Geethanjali Nataraj, 'EU-India free trade pact will power India's growth', 27 June 2013. See: <http://www.moneycontrol.com/news/economy/eu-india-free-trade-pact-will-power-indias-growth-_906962.html>. Accessed on 22 August 2013.

A broadening of the strategic partnership to encompass matters that the EU considers important, such as a security dialogue and policy on human rights, energy, climate change and strengthening multilateralism will probably only be possible once the negotiations on a free trade agreement have been successfully completed.

III.3 Partnership with Japan

Since the turn of the millennium, Japan and the EU have regarded each other as 'natural strategic partners'. The main reason for this is that their economic and trade relations are entirely free of problems. Japan and the EU are also both major aid donors, involved in peacebuilding in fragile states. Despite their shared political values and positions as civilian powers on the global stage, there is no close partnership between Japan and the EU. This prompted former European Commissioner for External Relations Chris Patten to remark: 'The problem in EU-Japan relations is that there is no problem'.[82]

Japan does not regard the EU as a strategic player on security issues in East Asia. It does not therefore support EU participation in the East Asia Summit. However, during the debate on a possible lifting of the EU arms embargo against China in 2004 and 2005, Japan had to acknowledge that a European decision on the embargo could affect Japan's strategic interests in the region. The Japanese government is very concerned that lifting the arms embargo would facilitate China's attempts to modernise its armed forces. It therefore made strong protests in Brussels. In Japan's view, the EU was letting itself be influenced too much by economic considerations in its relations with China, and failing to take proper account of the security situation in east Asia. This issue provided confirmation for the Japanese government that its partnership with the EU is less strategically important than its alliance with the US. Japan does however maintain bilateral security relations with the United Kingdom and France.[83]

Negotiations on a free trade agreement between the EU and Japan commenced in March 2013. The earlier signing of a free trade agreement between the EU and South Korea had not gone unnoticed in Japan. The Japanese business community urged its government to follow the example of South Korea and enter into a similar agreement with the EU.[84]

III.4 Partnership with South Korea

South Korea has enjoyed impressive economic growth over the past few decades, and has become a significant factor in power relations in East Asia. Membership of the G20 has brought the country international recognition as an emerging regional power.

In 2010 South Korea became the first Asian country to sign a free trade agreement with the EU. The agreed abolition of import and export duties is expected to provide a huge boost to trade between the two partners. Bilateral trade is forecast to double by around

82 Michito Tsuruoka, 'Expectations Deficit in EU-Japan Relations: Why the Relationship Cannot Flourish', *Current Politics and Economics of Asia,* Volume 17, Issue 1, 2008, p. 108.

83 Elena Atanassova-Cornelis, 'The EU-Japan Strategic Partnership in the 21st Century: Motivations, Constraints and Practice', *Journal of Contemporary European Research* Volume 6, No. 4, 2010, p. 485.

84 See: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/japan/> and <http://www.euractiv.com/trade/eu-korea-deal-pushes-japan-negot-news-508399>. Accessed on 19 September 2013.

2030.[85] A new Framework Agreement with South Korea was finalised in 2010 and it was decided to upgrade bilateral relations to a strategic partnership. This should bring about enhanced economic and political cooperation and more dialogue on a wide range of international issues, including non-proliferation of weapons of mass destruction, human rights, counterterrorism, climate change, energy security and development cooperation.[86] The EU and South Korea largely hold the same views on these issues. South Korea also relies on European support in its often strained relations with North Korea.

South Korea is incidentally less than happy with the link – created at the instigation of the EU – between the framework agreement and the free trade agreement. It means that, in the event of any serious violation of the political clauses in the framework agreement, the free trade agreement would be suspended.[87]

III.5 Partnership with ASEAN

Besides its strategic partnerships with China, India, Japan and South Korea, the EU's partnership with ASEAN is another focus of European foreign and security policy in Asia. ASEAN and the EU were set up for the same purpose: to achieve regional integration as a means of securing stability and prosperity. Since ASEAN was established in 1967 there has been no armed conflict between the participating countries.[88] There are still some unresolved border disputes between Thailand and Cambodia, however, as well as a dispute between Vietnam and the Philippines over the Spratly Islands. The EU supports ASEAN's integration process, which should result in the establishment of the ASEAN Community in 2015, consisting of a Political-Security Community, Economic Community and Socio-Cultural Community. There are also good opportunities for stepping up cooperation in areas where the EU has specific expertise, particularly trade and regional integration, climate change and the environment,[89] humanitarian assistance and higher education.

ASEAN forms the basis for regional initiatives such as the ASEAN Regional Forum (ARF), the ASEAN Defense Ministers' Meeting-Plus (ADMM+) and the East Asia Summit.[90] Some regard ASEAN and the EU as natural allies, and believe they should adopt a joint position against US-Chinese rivalry over regional leadership in the Asia-Pacific

85 Giovanni Grevi (ed.), 'Mapping EU Strategic Partnerships', FRIDE, Madrid, 2010, p. 41.

86 Minister of Foreign Affairs, 'Explanatory Memorandum. Adoption of the Free Trade Agreement between the European Union and its Member States, of the one part, and the Republic of Korea, of the other part signed in Brussels on 10 May 2010', Treaty Series, 2012, no. 172; see also: <http://www.europarl.europa.eu/aboutparliament/nl/displayFtu.html?ftuId=FTU_6.4.9.html>. Accessed on 20 August 2013.

87 Giovanni Grevi (ed.), 'Mapping EU Strategic Partnerships', FRIDE, Madrid, 2010, p. 41.

88 Vietnam and Cambodia did not become members until 1995 and 1999 respectively, well after the Vietnamese intervention in Cambodia (1979).

89 AIV advisory report no. 84, 'New Paths to International Environmental Cooperation', The Hague, March 2013.

90 16th ASEAN-EU Ministerial Meeting, 'Nuremberg Declaration on an EU-ASEAN Enhanced Partnership', 15 March 2007; Council of the EU, 'Guidelines on the EU's Foreign and Security Policy in East Asia', Brussels, 15 June 2012.

region.[91] However, at the ASEAN Summit in Cambodia in November 2012, it emerged that the ASEAN members were divided over how to tackle the territorial disputes in the South China Sea. A joint declaration on the issue had to be abandoned in the face of irreconcilable differences between the Philippines (an ally of the US) and Cambodia (which has close ties with China).[92]

A number of ASEAN countries regard the US as an important military partner able to guarantee security and stability in Southeast Asia. The EU does not believe it has any direct military role to play in the region, though the United Kingdom and France do have bilateral military relations with countries in or near Southeast Asia. The Netherlands also plans to enter into closer military relations with Indonesia. However, in the absence of any European military hard power in the region, the EU can contribute to the peaceful resolution of conflicts as an impartial mediator, as it did in the peace processes in Aceh, Indonesia (2005) and in Mindanao, the Philippines (2012). The EU also supports the democratic reforms under way in Myanmar. European experience of regional security cooperation in the OSCE might also be a useful contribution to the development of an Asian/East Asian security architecture. The Asia-Europe Meeting (ASEM) is another useful forum, where Asian and European members of government and senior officials can discuss common security issues in an informal way. ASEM now involves 50 countries (including Australia and New Zealand), and the European Commission and ASEAN Secretariat also participate.

Thus far, the EU has not issued any statement concerning the territorial disputes in the South China Sea, limiting itself to a call – made jointly with the US – to ASEAN countries and China to agree an international code of conduct on the matter. The Union could however go a step further by encouraging all the coastal states involved to present additional arguments in support of their territorial claims in the South China Sea, and by using its expertise on international maritime law and the UNCLOS convention to mediate a new code of conduct for the South China Sea.[93] However, some critics believe that, without military hard power as a foundation, the EU would not be capable of deploying its soft power in the Asia region in the manner described.[94]

The Netherlands could perhaps use its historic ties with Indonesia to strengthen security cooperation between the EU and ASEAN. The two countries could agree to make simultaneous proposals to their respective organisations concerning international cooperation on matters of maritime security, disaster response, peace enforcement and peacebuilding.

91 Nicola Casarini, 'EU Foreign Policy in the Asia Pacific: striking the right balance between the US, China and ASEAN', European Union Institute for Security Studies, Paris, September 2012, p. 4.

92 See: <http://www.dw.de/sea-dispute-lingers-at-asean-summit/a-16397985>. Accessed on 19 September 2013.

93 Patryk Pawlak ed., 'Look East, Act East: Transatlantic Agendas in the Asia Pacific', European Union Institute for Security Studies, Paris, December 2012, pp. 35, 49; Council of the EU, 'Guidelines on the EU's Foreign and Security Policy in East Asia', Brussels, 15 June 2012, p. 16.

94 Dr Lindley French at an Atlantic Committee seminar, 'NATO's Asian Partnerships: What Role for NATO in a Changing Asian Security Environment?', The Hague, 22 March 2013.

III.6 A coherent Asia strategy?

The EU is struggling with the question of how to translate its economic power in Asia into more political influence. It does not currently have a coherent foreign and security policy on Asia. The AIV has identified the following shortcomings in EU policy:

- insufficient coherence between the focus on (economic) interests and the focus on (political) values in the Union's foreign policy;
- incompatibility between multiple ambitious objectives and limited capacity for achieving them;
- a lack of structural dialogue with the US on a (joint) security strategy on East Asia.

The next chapter examines the EU-US political and security dialogue on Asia/East Asia. The final chapter, 'Conclusions and recommendations' looks in further detail at the shortcomings identified in the EU's foreign and security policy.

IV Transatlantic cooperation in an Asian context

> *Given the great importance of transatlantic relations, the EU has a strong interest in partnership and cooperation with the US on foreign and security policy challenges related to East Asia.*[95]

Remarkably, for a long time the Asia-Pacific region was not discussed in the strategic dialogue and security cooperation between the EU and the US. This appears to have changed with the issuing of a joint EU-US statement on the Asia-Pacific region at the ASEAN Regional Forum in Cambodia in July 2012. The statement stressed the importance of closer political and security cooperation in the Asia-Pacific region, and with countries in the region. At the same time, the US attempts in the statement to allay Europe's concerns about its reorientation towards Asia:

> 'The United States and Europe should work together and ensure our efforts are coordinated through regular consultations between European and US defence officials focused on Asia-Pacific security issues. The bottom line is that Europe should not fear our rebalance to Asia; Europe should join it.'[96]

The previous chapters considered individual US and European responses to the new geopolitical power relations in the Asia-Pacific region. This chapter looks at how the US and Europe might engage in more strategic cooperation in the region.

IV.1 Economic cooperation

The EU, the US and China are the world's three largest economic powers; together they accounted for 53% of global GDP in 2012.[97] They have a shared responsibility for ensuring balanced growth in the global economy. China has had a sustained period of strong growth, in which it has benefitted from the open global economic system. At the same time, the EU and – to a lesser extent – the US are still dealing with the consequences of the financial crisis that began in 2008. In efforts to tackle the financial and economic crisis in the EU and US, China sometimes acts as a willing strategic partner which – partly out of self-interest – comes to the aid of European economies and supports the US by buying up its government bonds. On the other hand, when it comes to trade conflicts and foreign investments, the Chinese government is generally a formidable opponent bent on achieving a competitive edge over European and US businesses. This could indicate that proponents of economic reform in the Chinese government are under pressure and that the state is again assuming a larger role in the

95 Council of the European Union, 'Guidelines on the EU's Foreign and Security Policy in East Asia', 15 June 2012, p. 8. See: <http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/97842.pdf>. Accessed on 9 September 2013.

96 Speech by US Secretary of Defense Leon Panetta at King's College London, 18 January 2013.

97 IMF, 'World Economic Outlook Database', April 2013. See: <http://www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx>. Accessed on 26 August 2013.

Chinese economy.[98] It may however be concluded from the communiqué of the Third Plenum that more scope is to be created for market incentives, with no reduction in the role of the state (not state *or* market, but state *and* market). Closer cooperation and coordinated economic diplomacy between the EU and the US in relation to China over numerous as yet unresolved economic and trade issues would be to our mutual benefit.

Despite the financial crisis, the European and US economies remain closely interwoven. Trade between the EU and US accounts for a third of the total volume of global trade (30% of the international trade in goods and 40% of the international trade in services).[99] Transatlantic investment is even more significant. US foreign investment in the EU is three times greater than total US foreign investment in Asia. At the same time, the EU's foreign investment in the US is 40% higher than the sum of EU investment in its other nine strategic partners, not all of which are in Asia.[100]

The failure of the talks on a new world trade agreement, known as the Doha Round, is an important reason for economic powers like the EU and the US to enter into new bilateral and regional trade and investment agreements to promote foreign trade and economic growth. The poorly performing economies of the EU and – again, to a lesser extent – the US would benefit from further economic freedoms, particularly in terms of services and investment.

Notwithstanding the rapid rise of emerging economies like China, India and South Korea, the European and US economies will continue to rely above all on each other for the foreseeable future. This mutual economic dependence is a powerful argument for reaching agreement on the Transatlantic Trade and Investment Partnership (TTIP) – talks on which are currently under way – at the earliest possible opportunity. The TTIP is designed to contribute to the economic recovery. However, it encompasses more than just the creation of a free trade area. It is also a matter of establishing new common standards and rules, which might potentially be applied outside the Atlantic region. The EU could also demonstrate its strategic relevance to the US by entering into a far-reaching economic agreement. Former National Security Advisor Zbigniew Brzezinski believes that, with the current momentum, 'TTIP can shape a new balance between the Pacific and the Atlantic oceanic regions, while at the same time generating in the West a new vitality, more security and greater cohesion'.[101] At the same time, however, the EU must ensure that TTIP is not used to exclude China from new international trade agreements.

98 Bates Gill and Andrew Small, 'Untapped Trilateralism: Common Economic and Security Interests of the European Union, the United States and China', Europe China Research and Advice Network, London, 2012, pp. 25-26.

99 See: <http://www.euintheus.org/what-we-do/policy-areas/trade-investment-and-business/eu-us-relations-trade-and-investment/>. Accessed on 13 September 2013.

100 Ibid.; Giovanni Grevi, 'Why EU Strategic Partnerships Matter', ESPO Working Paper No. 1, June 2012, p. 14.

101 Andrew Rettman, 'Brzezinski: EU-US trade pact can halt West's decline', *EU Observer*, 19 April 2013.

IV.2 Integrated security

Before exploring the possibilities for more security cooperation between the US and the EU, it is important to compare the objectives of US and EU foreign and security policy in the Asia-Pacific region. Former Secretary of State Hillary Clinton described the United States' objectives as follows:

1. to strengthen bilateral security alliances;
2. to deepen working relationships with emerging powers, including China;
3. to engage with regional multilateral institutions;
4. to expand trade and investment relations;
5. to forge a broad-based military presence in the region;
6. to advance democracy and human rights.[102]

In June 2012 the European Council agreed the following objectives for East Asia:

1. to promote confidence-building measures and encourage peaceful and cooperative solutions to disputes over territory and natural resources;
2. to encourage China to be more transparent about its defence expenditure, doctrine and institutions;
3. to encourage more military-to-military exchanges among the regional players and with EU member states;
4. to be willing, if requested, to share lessons drawn from its own experience in post-war reconciliation, and in confidence-building, preventive diplomacy and conflict resolution;
5. to promote effective multilateralism (including through EU-ASEAN, ARF, EAS, and ASEM) and regional integration.[103]

The US and the EU share the objectives of promoting multilateral cooperation via regional forums and deepening bilateral cooperation, including military cooperation, with China and other emerging powers in the region. There are differences too, however. The US intends to continue its broad military presence in the region, while the EU plans to lend support to peacebuilding, conflict prevention and conflict resolution.

Hard security and soft security

The US is still the dominant military power in the Asia-Pacific region, guaranteeing the territorial security of Taiwan, Japan, South Korea, the Philippines, Thailand, Australia and New Zealand. China is striving for military parity with the US in the region, and disputes the US military presence there. US security guarantees to Taiwan, Japan and the Philippines are a thorn in China's side. China considers Taiwan a renegade province, which should be reunited with the People's Republic, and it has territorial disputes with Japan and the Philippines over several islands and atolls in the East and South China Seas respectively. US interference in these matters, in whatever form, will always meet with sharp criticism from Beijing.

Unlike the US, the EU has no military hard power in the Asia-Pacific region. An official from the European External Action Service (EEAS) remarked:

> *'The Asian region perhaps doesn't need another hard security player; our added value is different. We are seen as engaged but not threatening; active but without a geopolitical*

102 Hillary Clinton, 'America's Pacific Century', *Foreign Policy*, November 2011.

103 Council of the European Union, 'Guidelines on the EU's Foreign and Security Policy in East Asia', 15 June 2012, pp. 10-11.

agenda. Perhaps the greatest value of the EU is to act as a principled champion of rules-based, cooperative security.'[104]

The EU can however use economic hard power and diplomatic soft power for conflict prevention and resolution in the region. If requested, it could also help develop a new Asian/East Asian security architecture. With a more integrated approach to security politics, the EU could thus eventually become a relevant strategic player in the Asia-Pacific region.

Cooperation with regional organisations in Asia

Both the US and the EU underline the importance of multilateral cooperation and the desirability of cooperative security structures in the Asia region. The essence of cooperative security is that the parties concerned accept joint responsibility for finding solutions to regional security problems, taking each others' fundamental interests into account as far as possible. One important aspect of cooperative security is enhancing mutual trust. The coastal states on the South China Sea could for example enter into a joint search-and-rescue agreement as a confidence-building measure, by analogy with the Agreement on Cooperation on Aeronautical and Maritime Search and Rescue in the Arctic, signed by the members of the Arctic Council in 2011. Attempts by both the US and China to achieve leadership in the Asia region are at odds, incidentally, with the concept of cooperative security.

The US is represented at the East Asia Summit (EAS), the ASEAN Regional Forum (ARF) and the ASEAN Defense Ministers Meeting-Plus (ADMM+), whereas the EU is currently only represented at the ARF. Heads of government (EAS) and ministers (ARF, ADMM+) meet in these forums to discuss common security issues, but no Asian/East Asian security architecture exists as yet. However, at the ARF meetings in 2009 and 2010, foreign ministers agreed on a policy vision and action plan in which the ARF would serve as the hub of a future regional security architecture. The aim is to bring about regional operational cooperation on humanitarian assistance, counterterrorism and cross-border crime, maritime security, non-proliferation and disarmament, and peacekeeping operations. ASEAN is the driving force behind this new security architecture, which should be in place by 2020.[105] The EU and the US can support this process in their cooperation with ASEAN. In this context, the AIV welcomes the opening of a small EEAS mission at the ASEAN secretariat's headquarters in Jakarta, Indonesia, as a valuable step towards closer EU-ASEAN cooperation.

Security cooperation with China

It is difficult to overstate the importance of working with China on security matters. Such cooperation will have to take place wherever possible through multilateral regional forums, particularly the EAS and ARF. However, these two forums have so far proved incapable of playing a mediatory role in actual or latent conflicts involving major powers like China, Japan, Russia or the US.

The US and China clearly have more to gain from cooperation than from conflict. Nevertheless, conflict between these two powers is not unimaginable. China's geopolitical

104 Speech by David O'Sullivan, Chief Operating Officer of the European External Action Service, 'Priorities for EU Diplomacy in East Asia', GRIPS Forum, Tokyo, 12 February 2013.

105 'ASEAN Regional Forum Vision Statement', Phuket, Thailand, 23 July 2009; 'Hanoi Plan of Action to Implement the ASEAN Regional Forum Vision Statement', Hanoi, Vietnam, 23 July 2010.

goal over the coming decades is to achieve military parity with the US in the region. For the US, maintaining a strong military position in the Asia region is a prerequisite for it to be able to make good on its security guarantees to its Asian partners. Given the sources of conflict in the East and South China Seas, there is a real possibility that conflict will arise 'by accident'. Mechanisms for crisis prevention between the US and China are therefore crucial. Ways of preventing miscommunication deserve particular attention. In this context, confidence-building measures – including joint military exercises and the establishment of a crisis hotline between the presidents of the US and China and their military leaderships – will be vital. The new state security council proposed at the Third Plenum could also make a positive contribution to crisis prevention. The council will be a forum for political leaders to meet with the people's army, the police and the security services (similar to the US National Security Council). This is expected to give President Xi more political control over the army.[106]

Since 2010 the EU has been engaged in a strategic dialogue with China concerning a range of security issues, and additional arrangements were agreed in 2012 for joint military training and sharing experience of crisis management and anti-piracy operations. After consulting the US, the EU could work out a proposal whereby the lifting of the arms embargo on China would be linked to an assessment of the current human rights situation, Chinese willingness to reveal the size and composition of its armed forces, and its cooperation on drafting an international code of conduct in respect of the territorial disputes in the East and South China Seas.

Economic security

Our steadily growing economic and trade relations with Asia also require protective measures against piracy, cross-border crime, fraud and cyber attacks. Even in the best-case scenario, these threats can entail huge costs, but they also have the potential to severely disrupt our modern information-based society. According to World Bank figures, piracy at sea costs the global economy €18 billion a year. The cost of cross-border crime and fraud is many times higher. The cyber attacks on a number of Dutch banks and the government's online ID system earlier this year briefly caused severe disruption to the Dutch banking and public sectors.[107] Cyber espionage, particularly intellectual property theft, causes a great deal of economic harm.

In their anti-piracy operations off the coast of Somalia the EU, the US and leading Asian nations like China, Japan and South Korea have demonstrated that they are capable of working together when their economic security is at stake. The EU and US could launch a joint initiative to agree with important Asian partners a common strategy and action plan for dealing with cross-border crime, fraud and cyber attacks. The ARF, where all important Asian countries – including China – are represented alongside the EU and US, would be the most appropriate forum for this purpose.

106 'China's new security superagency to further centralise power in Xi's hands' *South China Morning Post*, 25 November 2013. See: <http://www.scmp.com/news/china/article/1365133/chinas-national-security-committee-may-be-modelled-after-us-analysts>. Accessed on 25 November 2013; 'Xi heeft zijn munitie verzameld' (Xi assembles his big guns), *De Volkskrant*, 14 November 2013.

107 Ministry of Foreign Affairs, 'International Security Strategy: A Secure Netherlands in a Secure World', The Hague, 21 June 2013; AIV advisory report no. 85, 'Crime, Corruption and Instability: an exploratory report', The Hague, May 2013; see also: <http://www.binnenlandsbestuur.nl/digitaal/nieuws/digid-plat-door-cyberaanval.9014672.lynkx>. Accessed on 4 September 2013.

IV.3 Role for NATO in Asia?

Although NATO is an alliance that extends as far as the Pacific – with Hawaii in its far west – the AIV sees no reason to open a debate on expanding the area covered by the North Atlantic Treaty in response to America's strategic reorientation towards Asia. Article 5 does, of course, apply to US territory in the Pacific, but the fear among many European allies that they may become embroiled in some military conflict in the Asia-Pacific region presents an insurmountable obstacle to expanding the scope of the Treaty. Most NATO members that were part of the Soviet bloc during the Cold War still regard a possible re-emergence of the Russian threat as the most important justification for the continued existence of the alliance. Furthermore, the political wisdom of expanding the obligation of military assistance towards Asia is open to question. Chinese political leaders would have no option but to interpret such a radical step as a provocation, putting relations with China under strain. The AIV does however believe that the NATO countries should make maximum use of the opportunities for consultation under Article 4 of the Washington Treaty. After all, destabilising developments in the Asia-Pacific region could have serious repercussions for relations elsewhere in the world, including the Atlantic region.

NATO could also be used as a platform for deepening military cooperation with countries in the Asia-Pacific region with which a partnership agreement has been concluded (including Japan, South Korea and Australia). While the focus of these partnerships has recently been mainly to ensure the effectiveness of participation in stabilisation and reconstruction operations in Iraq and Afghanistan, in the future it will probably shift more to areas like missile defences, maritime security, cyber security, counterterrorism and anti-piracy operations. The NATO 2010 Strategic Concept 'Active Engagement, Modern Defence' will serve as a guideline for such cooperation.[108]

Over the past few years, Australia has expanded its defence cooperation with partners in the Asia-Pacific region. The US is Australia's most important ally in the region, followed by Japan. The US will expand its military presence in Australia over the next few years to 2,500 marines – on a rotational basis – at an army base near the northern coastal city of Darwin. Since 2007 Australia's foreign and defence ministers have held regular consultations on security and defence issues with their Japanese counterparts. Though Australia has agreed a partnership with NATO, of all the Alliance's member states the US is the only one with the capability to play a significant role in military conflicts in the Asia-Pacific region. Australia does not therefore have terribly high expectations of its partnership with NATO.

China has also expressed interest in working with NATO. This resulted in a visit by NATO's Director General of International Military Staff to Beijing in early 2012. During his visit, an agreement was reached on closer cooperation in various areas, including anti-piracy operations and training. Cooperation on military training enhances operational cooperation during joint missions, but it is equally important for promoting mutual trust between China and NATO's member states.[109]

108 Conference report 'NATO Partnerships in a Shifting Strategic Landscape', Wilton Park, 1-3 October 2012; NATO, 'Active Engagement, Modern Defence: Strategic Concept for the Defence and Security of the Members of the North Atlantic Treaty Organization', Adopted by Heads of State and Government at the NATO Summit in Lisbon, 19-20 November 2010.

109 Conference report, 'NATO Partnerships in a Shifting Strategic Landscape', Wilton Park, 1-3 October, 2012; see: <http://www.nato.int/cps/en/natolive/news_84305.htm>. Accessed on 25 September 2013.

V The growing power of Asia: new policy challenges

Following on from the discussion and analysis above, in this chapter the AIV addresses the two main questions in the government's request for advice, and presents its vision of Dutch foreign and security policy on the Asia-Pacific region.

1. Implications of Asia's growing power and impact on security situation in the Netherlands

Changing power relations and the international order

If the trends outlined in this report continue, in 20 years' time the focus of global power relations, particularly in economic terms, will have shifted from the Atlantic region to the Asia-Pacific region. This is a serious possibility, but it is not yet inevitable. Extrapolating current developments into the future is not without risks, as one must always be aware of discontinuities, counter-movements and unforeseen events. China has already seen a fall in its economic growth figures, and is experiencing the unfavourable impact of its one-child policy on the size of its workforce and the major economic burden caused by environmental damage.[110] China is now a middle-income nation and experience shows that once countries have achieved a certain level of economic development, it is much more difficult for them to make further big leaps in economic productivity than it is in the initial phase. This is certainly the case the more the services sector consumes a modernising economy's scarce resources.

Another uncertain factor is whether China's leaders will succeed in reconciling the growing middle classes to the Communist party's monopoly on power. For the time being, the fear among many Chinese of a return to the chaos and anarchy of the pre-revolutionary period appears to be stronger than the desire for more political freedom and more respect for human rights by the regime. This could change with time, however. If the party does not succeed in responding effectively to the process of change, major social tensions, and perhaps even outbursts of violence, cannot be ruled out in the medium term. Given that political stability is a prerequisite for continued economic growth, an unwillingness or inability on the part of the leadership to channel any popular dissatisfaction through reforms could undermine the performance of the Chinese economy. The next few years will show whether the financial, economic and social reforms announced in November 2013, at the Third Plenum of the Chinese Communist Party Central Committee, have a positive impact.

Despite these reservations, the AIV believes it is likely that China and other countries in Asia will see considerable growth in their share of the global economy over the next 20 years. It should also be taken into account that, in terms of absolute size, the Chinese economy will soon overtake that of the US. But a shift in the world's economic focus to Asia does not necessarily mean that the continent of Asia, and China in particular, will also dominate world politics. Indeed this would seem unlikely if we interpret 'dominance' as meaning a position as leading global power or primary pillar of the global order, a position that for decades has been held by the US. In 20 years' time China will almost certainly not have succeeded in matching the living standards of the West. It is therefore reasonable to assume that China will be more likely to focus on improving the purchasing

110 In his book *Stumbling Giant: The Threats to China's Future* (Yale University Press, 2013), Timothy Beardson highlights this unfavourable demographic trend as the biggest obstacle to China's becoming a truly prosperous and powerful country.

power of its population as a whole, than to take on the burden of becoming a global leader. In the discourse on Chinese foreign policy, there is little evidence of any ambition to become the 'world's policeman' or ultimate guardian of the international order. The Chinese do not have a mission in this sense, in clear contrast with the US, which after the Second World War felt called upon to promote democracy and freedom as universal values (American exceptionalism).

It is worth adding that China will probably have considerably increased its military capability in 20 years' time, but that its main focus will be on achieving parity with the US in Asia and on safeguarding strategic shipping routes to resource-rich regions in the Middle East, Africa and Latin America. There is little reason to expect that China will equal the US in terms of global power projection capabilities within 20 years. China lags too far behind in terms of its military technology, and appears to have no political motive to aim for such a goal.

The AIV believes one of the biggest challenges over the next 20 years will be to further integrate China into the system of global governance – all the formal and informal institutions that seek solutions to global problems, sometimes with the involvement of private parties (both NGOs and major corporations). The challenge is threefold. Firstly, China must be accorded a political status in the international institutions that is commensurate with its increased – and continually growing – economic weight. Some steps have been taken in the right direction (such as the review of the voting weights at the IMF and World Bank), but more will have to be done to meet the understandable and legitimate desire of China and other emerging states for a greater say in these institutions.

Secondly, China will have to be reminded of its responsibility to make a proportionate contribution to the supply of global public goods, such as global stability and security, monetary stability, sustainable economic growth and a healthy climate. It would be going too far to dub China a 'free rider' in this respect. This advisory report has already highlighted China's role in UN peace missions and anti-piracy operations at sea, which have contributed to global peace and security. One might also argue that, without the expansive economic policy China has pursued since the beginning of the global financial crisis, the impact of the crisis on Western countries in the past few years would have been even worse. Nevertheless, China could have taken a greater share of the international community's responsibility for stabilising conflict regions and helping countries facing severe financial problems. It is interesting to note, for instance, that China used its large financial reserves to acquire parts of Europe's infrastructure (some of them vital), but ultimately showed no interest in directly purchasing government bonds from the countries of southern Europe. China's attitude to the international talks on extending the Climate Convention also demonstrate that it is often led by a narrow interpretation of its own national interest.

The third element of the challenge of integrating China into the system of global governance will probably prove the most difficult. It involves reaching agreement on international norms and principles, particularly economic and financial, that will guide relations between states and other international players in the future. It is unlikely that China will be prepared to take on the role of responsible stakeholder if it means that Beijing will have to comply with the rules that Western countries devised many years ago. The principles of free trade, non-discrimination and limited state involvement in the economy are cornerstones of the global economic system. By contrast, China's trade policy tends towards protectionism, it does not shy away from currency manipulation in

its monetary policy and – last but not least – China has embraced the economic model of state capitalism. The AIV would also note that the Chinese economy has seen such strong growth largely thanks to the West's market rules. There are also major differences in terms of its more political rules. Unlike Western countries, China employs a strict definition of national sovereignty and non-intervention, while it still applies a clear hierarchy when it comes to human rights, with civil and political rights coming second to economic and social rights. In the debate on the requirements for good governance, Western ideas of liberal democracy often clash with China's preference for the notion of responsible governance. Failure to agree even a minimum standard of international norms and principles for a world whose power balance has shifted in favour of Asia will severely undermine the effectiveness of any system of global governance that might exist in 20 years' time. Continued economic globalisation and increasingly interwoven economies cannot be taken for granted. The AIV therefore believes that we must take account of the possibility that the international order may fragment, dividing the world even more than now into different regions that each have their own system of political, economic and trade agreements.[111]

Impact on the Netherlands' security situation

In the view of the AIV, greater power for Asia will not have any direct impact on the security situation in the Netherlands. There would after all only be a serious threat to Dutch security if the US and China were to engage in a military contest on a global scale, dragging America's allies into the proceedings. This is unlikely. Of course, history includes numerous examples of transitions of power between established and emerging powers that have given rise to armed conflict. But today's reality, with strong mutual economic and financial dependence and the prospect of possible nuclear reprisals, will stop the US and China from pursuing any 'war of succession' to determine who remains or becomes the dominant power in the world. This assumption gains currency from the fact that the political leaders of the US and China appear to be aware of the destabilising effects that major changes in the global power structure can bring.

This is not to say that a regional conflict between China and the US, Japan or another Asian country is unthinkable. Such a conflict – possibly a 'conflict by accident' – cannot be ruled out. We have already highlighted the assertive and threatening manner in which China pursues its claims to the disputed islands and atolls in the East and South China Seas. The US has responded by stepping up its military presence in the western Pacific, exacerbating China's encirclement complex. If the US were to pursue a military strategy in Asia based on the Air-Sea Battle concept and, consequently, were to include in its military planning targets on the Chinese mainland, this could easily be interpreted by mistrustful Chinese leaders as preparations for a preventive war. The most likely scenario for a regional war would be a relatively small armed incident which, in a hostile atmosphere of mutual recriminations, spiralled out of control and inadvertently escalated to a higher level of violent conflict.

A regional war in East Asia would certainly severely disrupt the economy in that part of the world. This would put the Netherlands' economic security in jeopardy, given the risk of a blockade of goods flows between Europe and Asia. The AIV believes there would also be a direct impact on the Netherlands' security if the US were to leave primary responsibility for ensuring stability in North Africa and the Middle East largely

111 See also Jan Rood and Rosa Dinnissen (eds.), 'Clingendael 2013 Strategic Monitor, An Uncertain World', The Hague, Netherlands Institute of International Relations Clingendael, 2013, pp. 27-30.

to the countries of Europe. Should Europe be unable to meet this responsibility, the Netherlands would be exposed to the negative impact of turbulence and unrest on Europe's external borders. This might include large flows of refugees, disruption to the supply of raw materials and possibly increased terrorist activity. In this scenario, the territory of the Netherlands as a whole would not be under direct threat.

Dutch interests in Asia

With Asian countries accounting for a growing share of gross world product, over the next 20 years the importance of stability in Asia for Europe and for the Netherlands will also grow. The interests the Netherlands needs to defend, in East Asia especially, are mainly economic in nature. Dutch exporters' strong focus on the EU – which accounts for around two-thirds of total exports – does not reflect the importance of rapidly growing markets outside Europe, particularly in Asia. The Netherlands will at any rate have to increase its share of Asian markets in order to benefit from higher economic growth there. It is important that the Netherlands maximise its competitive advantages over other European exporting nations. Growth in German exports to China would also be particularly beneficial for Dutch exports to Germany. The Netherlands should focus above all on the nine leading sectors identified by the government in 2011, in which it excels internationally in terms of knowledge, research and development, and innovation. These 'top sectors' are water, agri-food, horticulture, high-tech industries, life sciences, chemicals, energy, logistics and the creative industries.[112]

Within the general framework of common EU trade policy, a tough negotiating stance should be taken, aimed at placing EU-Chinese economic and trade relations on an equal footing. The talks should be based not on protectionism or on blind faith in free trade, but on economic realism. The guiding principle should be open markets where feasible and restrictions when required. The question of reciprocity (*quid pro quo*) should not be overlooked in this process, as the Netherland currently has a large trade deficit with China.

Foreign investment in the Netherlands, particularly from China, should be encouraged in order to promote employment, but in the event of takeovers of companies that are part of the country's vital infrastructure, the AIV would recommend that, like other countries, the Netherlands assess the implications for national interests and national security under national legislation. It is also important that the procedure and criteria for such assessments be coordinated at EU level.

2. Implications of the United States' reorientation towards Asia for NATO, the EU and the Netherlands

Potential for cooperation with the US

Notwithstanding the rapid rise of emerging economies like China, India and South Korea, the European and US economies will above all remain reliant on each other for the foreseeable future. This mutual economic dependence is a powerful argument for speedy completion of the negotiations on a Transatlantic Trade and Investment Partnership (TTIP), designed to promote further economic recovery. The EU must however ensure that the TTIP is not used to exclude China from new international trade agreements. There is a political argument, too, in fact. America's reorientation towards Asia threatens to

112 See: <http://www.rijksoverheid.nl/nieuws/2011/02/04/ondernemers-en-onderzoekers-aan-het-stuur-voor-sterker-nederland.html>. Accessed on 24 October 2013.

further diminish the significance of the Atlantic alliance. The AIV does not believe this would be in the interests of Europe, because our region will continue to rely on close cooperation with the US in order to resolve important global problems and maintain its position in the world. The uncertainty as to whether the countries of Europe will be able to achieve sufficient unity and capacity to act for the EU to play an independent role in global politics further underlines the validity of this argument. Since the military relationship between Europe and North America is likely to become less close, there is every reason to deepen cooperation in non-military areas. Besides trade and investment, this might also include efforts to tackle international crime, energy policy, environmental management, education and science.

The role of the EU and NATO

The EU has partnerships with a number of Asian countries – including China and Japan – and with ASEAN. The substantive importance of these partnerships is not always clear. In the opinion of the AIV, the EU must guard against making too many agreements and thus arousing expectations that cannot be fulfilled. The EU's major ambitions for its relations with Asia countries and regional forums, set out in various policy documents and agreements, could do with a reality check. In this connection, Europe's specific interests need to be clearly defined. In a general sense, the EU can play a major economic role in Asia, but its potential is very limited when it comes to security, particularly 'hard security' (i.e. preserving stability in the Asia-Pacific region and potentially deploying large-scale combat units). The EU has proved incapable of this in regions close to Europe's external borders. It will be a major task in itself to substantially improve the EU's military intervention capability in those regions over the next 20 years.

The need for a realistic assessment of Europe's limited capacity for military impact in Asia does not, however, imply that the EU is irrelevant to security and stability in the Asia-Pacific region. Security and economics are not isolated matters. Strengthening mutual dependence on the basis of mutually beneficial economic relations, and in accordance with binding rules, can reduce the risk of conflict. In this respect, the EU would not only be able to share with the countries of Asia its own experience of building an internal security community, it could also play an active role in strengthening security cooperation with and between those countries. ASEAN is the driving force behind the future development of an Asian security architecture. The EU and the US can support this process through their partnerships with ASEAN. The main strategic goal must be to engage China – and also the US – as much as possible in forms of regional cooperation, particularly cooperative security agreements in East and Southeast Asia.

NATO is less well positioned than the EU to play a meaningful role in the Asia-Pacific region based on an integrated approach to security policy. It is not easy for a military alliance to agree close cooperation with non-military actors on matters such as combating cyber threats, terrorism, international crime and piracy at sea. Unlike the EU, NATO was for example unable to conclude agreements with the civilian authorities in East African coastal states concerning the extradition and prosecution of Somali pirates.

Implications for Dutch policy

In the opinion of the AIV, the rise of Asia, particularly the growing power of China, cannot but have implications for the priorities of Dutch foreign policy. The government should therefore accord developments in this part of the world greater significance in its policy choices. The shift in the global balance of power is not however such that there is reason for the Netherlands to seek new structures for formally embedding its policy. The UN (and the institutions associated with it), the EU and NATO remain the most important

cooperative frameworks through which the Netherlands seeks to achieve its objectives, in shifting coalitions of like-minded countries. There are no viable alternatives. However, there is good reason to put these frameworks to greater use in the development of a regional security architecture and inclusive trade regime in East Asia, and in the closer integration of emerging countries – in Asia and elsewhere – into the system of global governance. Of course the Netherlands does not have the capacity to compel other countries to cooperate. Nevertheless, it can lobby to ensure that both issues remain high on the international agenda, and make or support practical proposals to these ends.

As explained earlier in this chapter, the risk of fragmentation in the future world order is not inconceivable, given established and emerging countries' diverging views on international principles and norms: a clash between Westphalian and post-Westphalian principles. It is the task of the Netherlands to play an active role at the UN in the debate on how to allay emerging countries' fear that the 'responsibility to protect' doctrine will be abused. The Netherlands could perhaps initiate meetings of international legal and other experts from established and emerging countries. The purpose of these meetings would be to explore whether, despite governments' different views on the principles on which the world order should be based, practical formulas can be found that enable constructive cooperation on a global scale in the more distant future.

The Netherlands can make a contribution in an EU context, too. The end of chapter III highlighted a lack of coherence between the focus on (economic) interests and the focus on (political) values as one of the shortcomings of the EU's foreign policy. Efforts to promote the enforcement of human rights are key here. All EU member states pay lip service to this goal, but in practice many do not wish to subordinate economic interests to a consistent position on human rights in their relations with China. This despite the fact that, in the AIV's opinion, the human rights situation there continues to give cause for concern. This undermines the credibility of the EU as a community of values and weakens its claim to be a normative power. The AIV realises that the Netherlands is not in a position to force the larger member states to change their policy. It can however press for periodic reporting on how individual member states are implementing common guidelines and objectives for the enforcement of human rights in third countries in their relations with China. This could happen under the authority of the EU High Representative. Objective reports would allow member states to call each other to account for their actions in the Foreign Affairs Council. The AIV believes it would be worthwhile exploring whether this could allow a better balance to be struck between promoting economic interests and defending fundamental values.

Finally, the growing power of Asia justifies a greater emphasis in Dutch bilateral policy on relations with China, Japan, South Korea and Indonesia, at any rate – countries with which it already has far-reaching economic ties. A shift in the geographical focus of Dutch policy – a process which has in fact already begun[113] – must be reflected, absolutely and relatively, in official visits from and to these countries, and an allocation of diplomatic and consular staff and resources commensurate with the importance of the region. The AIV is pleased to learn that Prime Minister Mark Rutte's visit to China in mid-November 2013 will be followed up in 2014. The announcement during the visit that the stalled human rights dialogue between the Netherlands and China will be resumed can be seen

113 See the policy memorandum by the Minister of Foreign Affairs and the Minister for Foreign Trade and Development Cooperation, *'Het Nederlandse China-beleid: investeren in waarden en zaken'* (Dutch policy on China: investing in values and business), 4 November 2013.

as a hopeful sign that, besides promoting economic interests, there is also scope in Sino-Dutch relations for discussing non-material matters.

In connection with the promotion of Dutch exports to growth markets in emerging countries, the AIV would draw attention to the fact that the export finance facilities available in the Netherlands are no match for those made available by our competitors in Europe, countries that are also trying to increase their exports to emerging markets. In the Netherlands, state aid for export finance is generally supplied in the form of export credit insurance, and a significant portion of that as export credit guarantees, with the actual financing of the transactions provided by commercial banks. In other exporting nations, the government itself provides export finance. This gives exporters from those countries a competitive advantage, because they have greater assurances that export finance will be available, and on better terms.[114] The AIV would note that this inequality undermines the key principle of a level economic playing field and would call for agreements to be reached or arrangements made at EU level to guarantee fair competition as regards export finance.

The AIV believes that alongside strengthening economic relations, there is also great value in academic exchange with emerging Asian countries. It would therefore propose expanding the Netherlands' academic contacts in the region, convinced as it is that China, in particular, potentially has a great deal of high-value knowledge, and that in the future knowledge will be an important factor determining global power relations.

114 Letter to the House of Representatives by the Minister for Agriculture and Foreign Trade on export finance and support for exports, The Hague, 5 September 2012; see also: <http://www.vno-ncw.nl/publicaties/dossiers/Pages/Buitenlandse_handel_en_investeringen_107.aspx>. Accessed on 12 November 2013.

VI Summary and recommendations

This final chapter summarises the main findings of the report point by point, and presents recommendations to the Dutch government based on those findings. The recommendations include both goals that the Netherlands should work towards in a NATO and EU context in order to promote the desired developments in Asia, as well as interests which the Netherlands must champion in its bilateral relations with Asian countries.

1. One of the biggest challenges of the next 20 years will be to further integrate China into the system of global governance and persuade it to take its share of responsibility for the supply of global public goods. It is important to bear in mind, however, that the average standard of living in China is likely to remain considerably lower than that in Western countries for some time to come. To prevent China from rebelling against the existing world order, its influence at the leading international organisations must reflect its greater economic weight. It will also be necessary to engage with China on whether key international rules – particularly those governing finance and economics – still adequately reflect the interests and views of both established and emerging countries. It would not be realistic to assume that China, with its growing self-confidence, will want to conform completely to norms and principles that the West drew up after the Second World War. Nor is it by any means certain that we shall succeed in agreeing new rules. *Partly in view of this fact, the AIV calls on the government to become actively involved in the debate on the basic principles of a future world order, and join like-minded countries in seeking formulas for international cooperation that will be acceptable to both old and new international players. The Netherlands could take the initiative by convening meetings of international legal and other experts from established and emerging countries.*

2. The likelihood of a military contest between China and the US occurring on a global scale in the next 20 years is small. The more likely possibility would be a regional conflict that broke out more or less unintentionally as a small armed incident, perhaps over the disputed islands in the East and South China Seas, and then spread and escalated to a higher level of intensity due to political miscalculation or technical failures. There is a classic entrapment or abandonment dilemma in relations with those countries in Asia that rely on US military protection. On the one hand, the US administration wants to limit the risk that reckless action on the part of one of its Asian allies drags it into an unintended conflict, while at the same time reassuring those allies that it will provide military assistance in the event of Chinese aggression. The AIV agrees with those who call for China and the US to participate in an Asian regime of cooperative security, whereby both parties take account of the other's security interests. The need for such a regime is only reinforced by China's unilateral decision to institute an air defence identification zone. Such a regime could be put in place via a series of confidence-building measures: joint search-and-rescue at sea, exchange of information on military movements, advance notice of military exercises and admission of foreign observers during military exercises. To reduce the risk of military movements by the other side being misinterpreted, reliable hotlines at the highest political and military level will be essential. Military plans that could unnecessarily be perceived as provocative by the other side are at odds with the basic principle of cooperative security. In this context, the AIV questions whether it was wise for the US to adopt the Air-Sea Battle concept as part of its military strategy vis-à-vis

China. After all, this operational concept involves large-scale attacks on targets on the Chinese mainland and at sea in response to threats in the western Pacific, thus disregarding the importance of de-escalation and managing conflicts at a low level of intensity. *The AIV would advise the government to support practical proposals that could help enhance trust between the political and military leaders of countries in the Asia-Pacific region and limit the risk of 'conflict by accident'. The EU, in particular, will have to use its influence to persuade China and other countries in Southeast Asia to cooperate on the drafting of an international code of conduct on the territorial disputes in the South China Sea.*

3. In the next 20 years there is likely to be a further shift in the global balance of power towards the countries of East and Southeast Asia. For this reason alone, the US president's call for the countries of Europe to work together more strategically in the Asia region must be taken seriously. This will require a political strategy in which the US and Europe set out the common objectives and instruments of their policy in the Asia-Pacific region based on a clear definition of their mutual interests. The core of this strategy will be the modalities of their interaction with China, which in this context must be seen primarily as a great power with a claim to a leading position in this part of the world, and which will not shy away from reinforcing its political demands by diplomatic and economic means, and ultimately also by military means. Although there are convincing arguments for emphasising dialogue and cooperation in Western countries' policy on China, a credible military counterweight to China is also essential, not least because of the nature of China's political regime. China's unilateral decision to announce an 'air defence identification zone' covering a large proportion of the East China Sea has prompted doubts about its willingness to resolve disputes (territorial and otherwise) with its neighbours peacefully. *The AIV would call upon the government to first discuss a transatlantic Asia strategy in an EU context. This should be followed by more frequent talks between the EU and the US and consultations within NATO, eventually resulting in a common US-European Asia strategy.*

4. In determining their contributions to the implementation of a common strategy, it is important to acknowledge that though the EU and the US have a common interest in maintaining peace and security in the Asia-Pacific region, and in continued economic growth in the region, there are also some not inconsiderable differences. These are a result of geographical location (the US is a Pacific power but Europe is not), of unequal military capabilities and potential for influencing developments, and of different views on the best way of dealing with tensions and conflict in general. Europe has a limited arsenal of hard military power and, given the repositioning of and impending cutbacks to the United States' armed forces, it will be forced to use its relatively modest military capability to prevent, manage and settle any conflicts that arise in and near Europe. Instability on Europe's borders could have a direct impact on our societies. This could take the form of large flows of refugees, for example, an increased risk of terrorist attack or a blockade of goods flows. *In accordance with the advisory report that the AIV issued on this matter in early 2012, the government is advised to continue unabated its efforts to promote military cooperation at European level in order to reduce Europe's vulnerability in terms of defence, and – in the longer term – to increase the defence budget.*[115]

115 AIV advisory report no. 78, 'European Defence Cooperation: Sovereignty and the Capacity to Act', The Hague, January 2012.

5. Europe's contribution to the implementation of a transatlantic Asia strategy will mainly be economic. In terms of security it will be restricted to conflict prevention and resolution, with limited deployment of military personnel. The EU is Asia's biggest trading partner, bigger even than the US. It has signed partnership agreements with all the major countries of East Asia. These agreements provide in principle for deep and broad-ranging cooperation, and not only on economic matters. While the potential of this cooperation has by no means been fully exploited yet, the EU should be more realistic when it comes to setting ambitions and targets. The priorities of EU policy on the Asia-Pacific region should be:
   - to broaden existing bilateral trade agreements into multilateral trade agreements in order to encourage closer ties between countries in the region, irrespective of political differences (e.g. a wide-ranging regional free trade agreement with ASEAN);
   - to support the creation or strengthening of regional institutions that impose rules, supervision and procedures for the settlement of disputes on economic relations between countries in Asia. Growing economic relations within Asia have made the countries in the region highly dependent on one another, without institutions to support economic cooperation, as in Europe.

   The AIV advises the government to press for the EU to take an active role in institution building in the Asia-Pacific region. It believes that the EU's diplomatic presence in Asia needs to be expanded for this purpose. In the short term, the EU could offer its good offices and expertise to help make a success of the integration process aimed at transforming ASEAN into a three-pillar structure (Security Community, Economic Community and Socio-Cultural Community).

6. The shift in the global balance of power to the Asia-Pacific region is not a compelling reason for reconsidering the NATO Strategic Concept adopted in Lisbon in November 2010. Expanding the area covered by the North Atlantic Treaty would prove an insurmountable obstacle for a large number of European allies. Nor is it certain that expanding the military assistance obligation towards Asia would be a wise move politically. The Treaty (signed in 1949) provides sufficient flexibility for security problems in the Asia-Pacific region to be dealt with in a responsible manner. They may, after all, have serious repercussions for relations elsewhere in the world, including in the Atlantic region. The AIV believes that, in this respect, maximum use should be made of the opportunities for consultation and cooperation available under article 4 of the Treaty. NATO could also be used as a platform for deepening the partnership agreements that already exist with a number of Asian countries. This should mainly take the form of closer cooperation on missile defences, maritime security, cyber security, counterterrorism and anti-piracy operations. Despite NATO's unique position as the world's foremost integrated military alliance, the AIV cannot disregard the fact that the significance of the Atlantic Alliance is likely to decline further the more the US regards Asia as the main source of threats to its vital interests, and the more it – rightly – comes to regard security in and near Europe as primarily the responsibility of the European allies. Given that the military relationship between Europe and North America is likely to be less close in the future, the AIV believes that the importance of political cooperation will only increase. This can best be safeguarded in the future by stepping up cooperation on non-military matters. *The AIV would therefore advise the government to do its utmost to ensure that the current negotiations on a Transatlantic Trade and Investment Partnership succeed and, at the same time, to submit or support proposals for closer transatlantic cooperation on cross-border crime, energy policy, environmental management, education and science.*

7. The effectiveness of EU action on China is undermined by the fact that member states are generally led by their own short-term national interests. The economic crisis of the past few years has strengthened this tendency. Member states that are inclined to prioritise national economic interests over, say, human rights considerations damage the EU's reputation as a normative power. Furthermore, quite apart from the issue of human rights, when some member states fail to champion the principle of reciprocity (as in the case of relations with China) they put the implementation of common EU trade policy under pressure. The generous access to the European market enjoyed by China is not matched by equal access for European countries to the Chinese market. The European Commission receives varying degrees of support from the member states in its efforts to counter Chinese dumping practices. The AIV still regards the EU's common trade policy as a valuable instrument, which deserves the support of the Netherlands. If, however, it becomes clear that EU member states are attempting to gain national advantages at the expense of other member states by means of bilateral action that circumvents common policy, the Netherlands must first work to restore the unity of EU policy, and otherwise also opt for the bilateral approach of furthering its own national interests. *The AIV urges the government to focus its efforts above all on a common trade policy on China that is based on reciprocity, even if this is against the Netherlands' interests in the short term, and to ensure that all member states comply with this policy.*

8. The arms embargo against China introduced by the EU in response to the violent suppression of the Tiananmen Square protests in 1989 is a major obstacle to stronger cooperation with China on foreign and security policy. Beijing remains interested in obtaining dual use technology from Europe, particularly from France and the United Kingdom. In its 2007 advisory report on China, the AIV called for the ban to be lifted, in part because enforcing the embargo undermines the spirit of partnership, and because its effectiveness is in doubt. The AIV believes that these arguments are just as valid today. Nevertheless, it has concluded that it would not be advisable to lift the arms embargo before discussing the matter (again) with the US. A unilateral European decision would after all be at odds with the above proposal for joint US-European efforts to arrive at a common strategy on Asia. *The AIV advises the government to raise the issue of the arms embargo on China in the near future in talks between the EU and the US. Any decision to lift the embargo must be taken on the basis of an assessment of (a) China's cooperation on the drafting of an international code of conduct on the territorial disputes in the South China Sea, (b) its willingness to provide greater transparency on the size and composition of its armed forces, and (c) the current human rights situation in China.*

9. The Netherlands' interests in Asia are mainly economic. Although trade with Asian countries has increased considerably over the past decade, these countries still account for a relatively small share of Dutch exports. What's more, there is a great imbalance in trade between the Netherlands and China, in particular. China exports many times more goods to the Netherlands than the Netherlands does to China, while the situation is reversed when it comes to investment. To stimulate Dutch exports to Asia, it is important that efforts are made to improve Dutch export finance. Dutch exporters are currently at a disadvantage relative to exporters in competitor economies in Europe. The Netherlands provides state aid for export finance by means of export credit insurance, but leaves the actual financing of export transactions to commercial banks. Governments in other EU member states, on the other hand, provide export finance themselves, giving their exporters more certainty about the availability of finance, as well as better terms. *The AIV advises the government to*

press for agreements or arrangements at EU level to create a level playing field for export finance.

Besides making better use of export opportunities to Asia, particular attention should also be paid to China's interest in gaining access to the knowledge and technology of Dutch universities and companies. There is no inherent reason why knowledge and technology should not be transferred on a healthy commercial basis, though a word of warning is appropriate in this context. The AIV believes that any such transfer must not result in vital sectors of the Dutch economy losing out in the face of international competition. Caution is also advised when it comes to possible takeovers of Dutch companies by foreign investors. To the extent that Chinese investors tend mainly to target vital parts of our infrastructure, such as communications networks and port facilities, an assessment of the national interest or national security will be required. The procedure and criteria for such an assessment must also be coordinated at EU level. *The AIV would urge the government to consider developing policy in this area that does justice both to the open nature of the Dutch economy and to the protection of vital national interests.*

10. The AIV realises that the current asymmetry in the size of their respective armed forces limits the opportunities for bilateral military cooperation between the Netherlands and China. This makes existing forms of multilateral cooperation in an EU and NATO context, for example on anti-piracy operations, all the more valuable. This certainly applies to the forthcoming cooperation between the Netherlands and China in the UN peace mission in Mali, in which soldiers from the Chinese People's Liberation Army will be responsible for the security of the UN base at Gao, where Dutch soldiers are also stationed. The AIV also welcomes the plan to expand maritime cooperation between the Netherlands and China. Besides the exchange of information between the hydrographic services of the Dutch and Chinese navies, as decided in 2013, this might also include other forms of cooperation, such as providing training modules for each other's military personnel. The path to such cooperation has already been paved by recent agreements on exchanges of staff officers from the Dutch and Chinese defence colleges and knowledge sharing between the School for Peace Operations and its Chinese counterpart. *The AIV recommends that the government explore further opportunities for bilateral military cooperation with China, in addition to EU and NATO initiatives; such cooperation could serve as a confidence-building measure.*

Annexes

Annexe I

Request for advice

Mr F. Korthals Altes
Chairman of the Advisory Council
on International Affairs
P.O. Box 20061
2500 EB The Hague

Date 4 July 2013
Re Request for advice on the growing power of Asia

Dear Mr Korthals Altes,

We are writing to request an advisory report on the possible consequences for the Netherlands, and Europe more generally, of the growing power of Asia and the increasing focus on Asia by the United States.

The global balance of power is changing as power shifts towards emerging countries, a trend which is particularly visible in Asia. This development is primarily economic in nature, but it also has a clear impact on political and military relations. The shift in power is expected to continue, possibly at an accelerated pace. As it proceeds, growing tension can be observed in the Asia-Pacific region.

More than ever, the strategic focus of US foreign and security policy is on Asia (especially Southeast Asia) and the Pacific. This American focus reflects in part the sharp increase in defence spending in the Asian region and the existing and potential conflicts in that part of the world.

In its 2007 report 'China in the Balance: towards a Mature Relationship', the AIV highlighted China's growing regional influence. At the same time it noted that China was gradually moving towards more active and constructive participation in the UN, for example in the area of peace operations. The AIV also highlighted the lack of transparency with respect to Chinese military reforms. We would ask that you incorporate your previous conclusions and recommendations on security issues into this new report, with due regard to current developments.

Although we are chiefly concerned with the political and military aspects of this issue, we realise they cannot be divorced from other relevant developments. Our questions thus overlap with related policy areas.

Questions

We would like the AIV to address the following questions:

1. What impact will the growing power of Asia today have in the medium term, and how will this influence the Dutch security situation?

Does the AIV believe that economic, political and military power will indeed have shifted to Asia and the Pacific in 20 years' time? What form will this shift take? What will be the importance of stability in Asia to the Netherlands and Europe in 20 years? What Dutch interests could be at stake?

Following on from this: given that common threats demand a common response, what players on the international stage can the Netherlands best work with to further its security interests? In that light, we ask the AIV to examine the opportunities for partnerships between European countries and the United States, possibly via the EU and NATO, and with countries and forums in the Asian region, paying particular attention to the following questions:

Should the Netherlands push for a more active EU role in Asia with regard to political cooperation, peacekeeping and peacebuilding? To what extent should the Common Security and Defence Policy focus on this region? And what regional partners and organisations are relevant to the CSDP? What role could the partnerships formed in Chicago with such countries as Australia play in this? Finally, please discuss in depth the potential substance of the EU and NATO dialogue with Asian partners, and what partners would qualify for it.

2. What does the shift in the United States' strategic focus to Asia and the Pacific mean for NATO, the EU and the Netherlands?

We would like to ask the AIV to consider the impact of this shift on the integrity of Dutch territory and that of its allies, the promotion of the international legal order and the economic security of the Netherlands.

The US strategic guidance issued in January 2012 seems to portend a clear foreign policy reorientation to Asia. The United States recently emphasised its interest in involving Europe in this reorientation, in the hope that advancing common standpoints and shared interests would boost the effectiveness of US foreign policy. Against this background, we ask the AIV to examine in greater detail the expected policy choices of the United States, and their possible implications. What are the advantages and disadvantages for the Netherlands and the EU of such a partnership with the United States?

This strategic reorientation could have repercussions for the military partnership with the US, especially in NATO. The repeated US requests for its European allies to take on a greater share of the burden within the alliance go to the very heart of this partnership. At present, the Americans provide around three-quarters of NATO capabilities.

Burden-sharing requires that Europe shoulder its responsibility for ensuring sufficient military capability and engaging in crisis operations in Europe's vicinity. The AIV has already set out its views on this subject. Last year it produced the report, 'European Defence Cooperation: Sovereignty and the Capacity to Act'.

In summary, we ask the AIV to examine the ramifications of the United States' foreign and security policy reorientation towards Asia (especially Southeast Asia) and the Pacific – in particular for NATO, the EU and the Netherlands. How should Dutch foreign and security policy respond to this trend? What goals should the Netherlands pursue in NATO and the EU?

We look forward to receiving your report.

Yours sincerely,

Frans Timmermans

Minister of Foreign Affairs

Jeanine Hennis-Plasschaert

Minister of Defence

List of terms

Air-Sea Battle concept	Military operational concept designed to enable the US to disable (China's) mainland *anti-access/area denial* capability by means of large-scale physical and cyber attacks
Anti-access/area denial capabilities	Military capabilities aimed at keeping an opponent at a distance from or denying it access to a maritime area
ASEAN	Association of Southeast Asian Nations: Brunei, Cambodia, the Philippines, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam
Asia-Pacific region	East Asia and Southeast Asia
Blue-water navy	Navy equipped to operate on the open seas
Brown-water navy	Navy equipped to operate in coastal waters
Command and control	The exercise of command authority in a military organisation
Conflict by accident	A small armed incident that unintentionally escalates to a higher level of intensity in a hostile atmosphere of mutual recrimination
Containment	Policy designed to curb the influence of another power
Defence strategic guidance	A US strategic defence plan that serves as a basis for its geographical focus, military strategy, troop build-up, arms procurement and defence budget over the coming years
Doha round	Round of talks organised by the World Trade Organization which began in 2001 and is intended to remove trade barriers and promote global free trade
Free rider	Someone who enjoys the benefits of public goods or services without paying for them
Free trade	The free movement of goods and services between countries
Global public goods	global goods and services from which no one may be excluded (non-excludability) and the use of which by one party may not be at the expense of use by another (non-rivalry)

Hard power	The coercive use of military or economic means to influence the behaviour or interests of political players
Killing fields	Genocide in Cambodia under the regime of the Khmer Rouge, in which between one and two million people were killed between 1975 and 1979
Level playing field	An economic environment in which all players conduct their activities according to the same (equal) rules
Non-Proliferation Treaty	International treaty signed in 1968 whose aim is to prevent the spread of nuclear weapons and regulate the monitoring of nuclear material in order to prevent its extraction for the purpose of producing nuclear weapons
Offshore control	Full or partial sea blockade at some distance from the coast designed to hamper or disrupt a country's imports and exports
One-China policy	Political view adhered to by the People's Republic of China and Taiwan (Republic of China) that there is only one state called 'China' in the world. They each regard the other as a renegade province, rather than as two separate states
Power projection	Military capability for expeditionary warfare
Six-party talks	Negotiations on North Korea's nuclear weapons programme between the US, China, Russia, South Korea, Japan and North Korea
Soft power	The use of diplomacy, foreign aid and cultural relations in order to influence the behaviour or interests of political players

Previous reports published by the Advisory Council on International Affairs

1 AN INCLUSIVE EUROPE, *October 1997*
2 CONVENTIONAL ARMS CONTROL: urgent need, limited opportunities, *April 1998*
3 CAPITAL PUNISHMENT AND HUMAN RIGHTS: recent developments, *April 1998*
4 UNIVERSALITY OF HUMAN RIGHTS AND CULTURAL DIVERSITY, *June 1998*
5 AN INCLUSIVE EUROPE II, *November 1998*
6 HUMANITARIAN AID: redefining the limits, *November 1998*
7 COMMENTS ON THE CRITERIA FOR STRUCTURAL BILATERAL AID, *November 1998*
8 ASYLUM INFORMATION AND THE EUROPEAN UNION, *July 1999*
9 TOWARDS CALMER WATERS: a report on relations between Turkey and the European Union, *July 1999*
10 DEVELOPMENTS IN THE INTERNATIONAL SECURITY SITUATION IN THE 1990s: from unsafe security to unsecured safety, *September 1999*
11 THE FUNCTIONING OF THE UNITED NATIONS COMMISSION ON HUMAN RIGHTS, *September 1999*
12 THE IGC AND BEYOND: TOWARDS A EUROPEAN UNION OF THIRTY MEMBER STATES, *January 2000*
13 HUMANITARIAN INTERVENTION, *April 2000**
14 KEY LESSONS FROM THE FINANCIAL CRISES OF 1997 AND 1998, *April 2000*
15 A EUROPEAN CHARTER OF FUNDAMENTAL RIGHTS?, *May 2000*
16 DEFENCE RESEARCH AND PARLIAMENTARY SCRUTINY, *December 2000*
17 AFRICA'S STRUGGLE: security, stability and development, *January 2001*
18 VIOLENCE AGAINST WOMEN: LEGAL DEVELOPMENTS, *February 2001*
19 A MULTI-TIERED EUROPE: the relationship between the European Union and subnational authorities, *May 2001*
20 EUROPEAN MILITARY-INDUSTRIAL COOPERATION, *May 2001*
21 REGISTRATION OF COMMUNITIES BASED ON RELIGION OR BELIEF, *June 2001*
22 THE WORLD CONFERENCE AGAINST RACISM AND THE RIGHT TO REPARATION, *June 2001*
23 COMMENTARY ON THE 2001 MEMORANDUM ON HUMAN RIGHTS POLICY, *September 2001*
24 A CONVENTION, OR CONVENTIONAL PREPARATIONS? The European Union and the ICG 2004, *November 2001*
25 INTEGRATION OF GENDER EQUALITY: a matter of responsibility, commitment and quality, *January 2002*
26 THE NETHERLANDS AND THE ORGANISATION FOR SECURITY AND COOPERATION IN EUROPE IN 2003: role and direction, *May 2002*
27 BRIDGING THE GAP BETWEEN CITIZENS AND BRUSSELS: towards greater legitimacy and effectiveness for the European Union, *May 2002*
28 AN ANALYSIS OF THE US MISSILE DEFENCE PLANS: pros and cons of striving for invulnerability, *August 2002*
29 PRO-POOR GROWTH IN THE BILATERAL PARTNER COUNTRIES IN SUB-SAHARAN AFRICA: an analysis of poverty reduction strategies, *January 2003*
30 A HUMAN RIGHTS BASED APPROACH TO DEVELOPMENT COOPERATION, *April 2003*
31 MILITARY COOPERATION IN EUROPE: possibilities and limitations, *April 2003*
32 BRIDGING THE GAP BETWEEN CITIZENS AND BRUSSELS: towards greater legitimacy and effectiveness for the European Union, *April 2003*
33 THE COUNCIL OF EUROPE: less can be more, *October 2003*
34 THE NETHERLANDS AND CRISIS MANAGEMENT: three issues of current interest, *March 2004*
35 FAILING STATES: a global responsibility, *May 2004**

36 PRE-EMPTIVE ACTION, *July 2004**
37 TURKEY: towards membership of the European Union, *July 2004*
38 THE UNITED NATIONS AND HUMAN RIGHTS, *September 2004*
39 SERVICES LIBERALISATION AND DEVELOPING COUNTRIES: does liberalisation produce deprivation?, *September 2004*
40 THE PARLIAMENTARY ASSEMBLY OF THE COUNCIL OF EUROPE, *February 2005*
41 REFORMING THE UNITED NATIONS: A closer look at the Annan report, *May 2005*
42 THE INFLUENCE OF CULTURE AND RELIGION ON DEVELOPMENT: Stimulus or stagnation?, *June 2005*
43 MIGRATION AND DEVELOPMENT COOPERATION: coherence between two policy areas, *June 2005*
44 THE EUROPEAN UNION'S NEW EASTERN NEIGHBOURS: *July 2005*
45 THE NETHERLANDS IN A CHANGING EU, NATO AND UN, *July 2005*
46 ENERGISED FOREIGN POLICY: security of energy supply as a new key objective, *December 2005***
47 THE NUCLEAR NON-PROLIFERATION REGIME: The importance of an integrated and multilateral approach, *January 2006*
48 SOCIETY AND THE ARMED FORCES, *April 2006*
49 COUNTERTERRORISM FROM AN INTERNATIONAL AND EUROPEAN PERSPECTIVE, *September 2006*
50 PRIVATE SECTOR DEVELOPMENT AND POVERTY REDUCTION, *October 2006*
51 THE ROLE OF NGOS AND THE PRIVATE SECTOR IN INTERNATIONAL RELATIONS, *October 2006*
52 EUROPE A PRIORITY!, *November 2006*
53 THE BENELUX: the benefits and necessity of enchanced cooperation, *February 2007*
54 THE OECD OF THE FUTURE, *March 2007*
55 CHINA IN THE BALANCE: towards a mature relationship, *April 2007*
56 DEPLOYMENT OF THE ARMED FORCES: interaction between national and international decision-making, *May 2007*
57 THE UN HUMAN RIGHTS TREATY SYSTEM: strengthening the system step by step in a politically charged context, *July 2007*
58 THE FINANCES OF THE EUROPEAN UNION, *December 2007*
59 EMPLOYING PRIVATE MILITARY COMPANIES: a question of responsibility, *December 2007*
60 THE NETHERLANDS AND EUROPEAN DEVELOPMENT POLICY, *May 2008*
61 COOPERATION BETWEEN THE EUROPEAN UNION AND RUSSIA: a matter of mutual interest, *July 2008*
62 CLIMATE, ENERGY AND POVERTY REDUCTION, *November 2008*
63 UNIVERSALITY OF HUMAN RIGHTS: principles, practice and prospects, *November 2008*
64 CRISIS MANAGEMENT OPERATIONS IN FRAGILE STATES: the need for a coherent approach, *March 2009*
65 TRANSITIONAL JUSTICE: justice and peace in situations of transition, *April 2009**
66 DEMOGRAPHIC CHANGES AND DEVELOPMENT COOPERATION, *July 2009*
67 NATO'S NEW STRATEGIC CONCEPT, *January 2010*
68 THE EU AND THE CRISIS: lessons learned, *January 2010*
69 COHESION IN INTERNATIONAL COOPERATION: Response to the WRR (Advisory Council on Government Policy) Report '*Less Pretension, More Ambition', July 2010*
70 THE NETHERLANDS AND THE RESPONSIBILITY TO PROTECT: the responsibility to protect people from mass atrocities, *June 2010*
71 THE EU'S CAPACITY FOR FURTHER ENLARGEMENT, *July 2010*
72 COMBATING PIRACY AT SEA: a reassessment of public and private responsibilities, *December 2010*
73 THE HUMAN RIGHTS OF THE DUTCH GOVERNMENT: identifying constants in a changing world, *February 2011*
74 THE POST-2015 DEVELOPMENT AGENDA: the millennium development goals in perspective, *April 2011*
75 REFORMS IN THE ARAB REGION: prospects for democracy and the rule of law?, *May 2011*

76 THE HUMAN RIGHTS POLICY OF THE EUROPEAN UNION: between ambition and ambivalence, *July 2011*
77 CYBER WARFARE*, December 2011**
78 EUROPEAN DEFENCE COOPERATION: sovereignty and the capacity to act*, January 2012*
79 THE ARAB REGION, AN UNCERTAIN FUTURE, *May 2012*
80 UNEQUAL WORLDS: poverty, growth, inequality and the role of international cooperation, *September 2012*
81 THE NETHERLANDS AND THE EUROPEAN PARLIAMENT: investing in a new relationship, *November 2012*
82 INTERACTION BETWEEN ACTORS IN INTERNATIONAL COOPERATION: towards flexibility and trust, *February 2013*
83 BETWEEN WORDS AND DEEDS: prospects for a sustainable peace in the Middle East, *March 2013*
84 NEW PATHS TO INTERNATIONAL ENVIRONMENTAL COOPERATION, *March 2013*
85 CRIME, CORRUPTION AND INSTABILITY: an exploratory report, *June 2013*

Advisory letters issued by the Advisory Council on International Affairs

1 Advisory letter THE ENLARGEMENT OF THE EUROPEAN UNION, *December 1997*
2 Advisory letter THE UN COMMITTEE AGAINST TORTURE, *July 1999*
3 Advisory letter THE CHARTER OF FUNDAMENTAL RIGHTS, *November 2000*
4 Advisory letter ON THE FUTURE OF THE EUROPEAN UNION, *November 2001*
5 Advisory letter THE DUTCH PRESIDENCY OF THE EU IN 2004, *May 2003****
6 Advisory letter THE RESULTS OF THE CONVENTION ON THE FUTURE OF EUROPE, *August 2003*
7 Advisory letter FROM INTERNAL TO EXTERNAL BORDERS. Recommendations for developing a common European asylum and immigration policy by 2009, *March 2004*
8 Advisory letter THE DRAFT DECLARATION ON THE RIGHTS OF INDIGENOUS PEOPLES: from Deadlock to Breakthrough?, *September 2004*
9 Advisory letter OBSERVATIONS ON THE SACHS REPORT: How do we attain the Millennium Development Goals?, *April 2005*
10 Advisory letter THE EUROPEAN UNION AND ITS RELATIONS WITH THE DUTCH CITIZENS, *December 2005*
11 Advisory letter COUNTERTERRORISM IN A EUROPEAN AND INTERNATIONAL PERSPECTIVE: interim report on the prohibition of torture, *December 2005*
12 Advisory letter RESPONSE TO THE 2007 HUMAN RIGHTS STRATEGY, *November 2007*
13 Advisory letter AN OMBUDSMAN FOR DEVELOPMENT COOPERATION, *December 2007*
14 Advisory letter CLIMATE CHANGE AND SECURITY, *January 2009*
15 Advisory letter THE EASTERN PARTNERSHIP, *February 2009*
16 Advisory letter DEVELOPMENT COOPERATION, The benefit of and need for public support, *May 2009*
17 Advisory letter OPEN LETTER TO A NEW DUTCH GOVERNMENT, *June 2010*
18 Advisory letter THE EUROPEAN COURT OF HUMAN RIGHTS: Protector of civil rights and liberties, *November 2011*
19 Advisory letter TOWARDS ENHANCED ECONOMIC AND FINANCIAL GOVERNANCE IN THE EU, *February 2012*
20 Advisory letter IRAN'S NUCLEAR PROGRAMME: Towards de-escalation of a nuclear crisis, *April 2012*
21 Advisory letter THE RECEPTOR APPROACH: A question of weight and measure, *April 2012*
22 Advisory letter OPEN LETTER TO A NEW DUTCH GOVERNMENT: The armed forces at risk, *September 2012*
23 Advisory letter TOWARDS A STRONGER SOCIAL DIMENSION OF THE EUROPEAN UNION, *June 2013*
24 Advisory letter FULL SPEED AHEAD: Response by the Advisory Council on International Affairs to the policy letter 'Respect and Justice for All', *September 2013*

* Issued jointly by the Advisory Council on International Affairs (AIV) and the Advisory Committee on Issues of Public International Law (CAVV).

** Joint report by the Advisory Council on International Affairs (AIV) and the General Energy Council.

*** Joint report by the Advisory Council on International Affairs (AIV) and the Advisory Committee on Aliens Affairs (ACVZ).

Annexe III

List of abbreviations

A2/AD	anti-access/area denial
ACFTA	ASEAN-China Free Trade Area
ADMM+	ASEAN Defense Ministers Meeting-Plus
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
DoC	Declaration on the Conduct of Parties in the South China Sea
EAS	East Asia Summit
EEAS	European External Action Service
EU	European Union
FDI	foreign direct investment
IMF	International Monetary Fund
JMSU	Joint Marine Seismic Undertaking
NATO	North Atlantic Treaty Organization
OSCE	Organization for Security and Co-operation in Europe
PCA	Partnership and Cooperation Agreement
TPP	Trans-Pacific Partnership
TTIP	Transatlantic Trade and Investment Partnership
UNCLOS	United Nations Convention on the Law of the Sea
UN	United Nations
US	United States of America
WTO	World Trade Organization