



THE EUROPEAN UNION AND ASIA IN A CHANGING GLOBAL ENVIRONMENT

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Introduction

Allow me to begin by thanking Dr Bersick, the organizers and the sponsors for the opportunity to be here. I am honored to be the inaugural speaker for The Bochum Jean Monnet Lecture Series on EU-Asia Relations and to help kick off the conference today on Asia, Europe and the Quest for Connectivity. It is a great pleasure to be in this beautiful part of the world again and among friends old and new.

It is sometimes hard to get a person from Australia to come to Europe or vice versa. Many people will tell you it is a long way.

I disagree—we are actually very close. And as Dr Bersick knows very well, I am drawn here because I have devoted much of my professional life to following European and Asian perspectives on international affairs and promote better relations between the two continents.

Since the 1980s, I have lived and worked in Europe and the Indo-Pacific for nearly 20 years, including in France, Switzerland, Sweden, China, Taiwan and now Australia. As an American by birth, this professional life has allowed a more-worldly perspective—one that has seen remarkable changes over the past 30 to 40 years—some of it encouraging, some of it discouraging, but all of it affecting us to this day and for the future.

And it is those changes and what they have meant for Europe, Asia and the world—today and for the future—that I would like to talk about this morning.

It is especially poignant that we look back on those decades today, sitting as we are in the year 2019. It was 30 years ago, almost to the day, that the former General Secretary of the Chinese Communist Party, Hu Yaobang, passed away, sparking an outpouring of sympathy in Tiananmen Square which quickly morphed into a massive protest demanding accountability, an end to corruption, employment opportunities, and greater political openness.

At their height in May 1989, that outpouring drew more than 1 million persons to the square alone, and millions more in protests across the country. As we all know, that people's movement was tragically suppressed by a small group of Party elders who ordered the Army to respond, resulting in the killing of hundreds and possibly thousands of citizens in Beijing and elsewhere.

I lived in China in the late-1980s, witnessed the early pro-democracy demonstrations which broke out in late-1986 and which led to Hu Yaobang's ouster from the Party—a precursor to the Tiananmen Movement which followed his death two years later. My Chinese colleagues, friends, and students were shocked and despondent following the tragic events of June 1989, as was much of the world. China has never been the same since.

Also 30 years ago this year, a more hopeful development: the fall of the Berlin Wall in November, marking the end of Soviet empire, the reunification of Germany, and the beginnings of “Europe whole and free”. Living in Europe at the time, I came to Berlin and joined in the revelry at Brandenburg Gate, excited about the new and united Europe to come.

I note these historic milestones—one in Asia, one in Europe—as a way to highlight four broad trends, **two older and two more recent**, the antecedents of which we can trace back to those remarkable events of 1989 and which we are wrestling with to this day. Today, these trends, set in motion in many ways by the upheavals of 1989, have come together to help create the complex and uncertain mix of connectivity and contestation that we face.

The two longer term trends since 1989 have been, first, **globalization and the spread of democratic ideals** and second, **the rise of Asia, and particularly East Asia and China**, to become a global center of gravity in economic, diplomatic, and security affairs.

Let's look at those first two trends and then consider the other two more recent trends later.

Globalization and spread of democracy

With the fall of the Berlin Wall in 1989 came tremendous and largely positive changes to global order. It foretold the end of the 40-year-old Cold War and division of Europe. It foretold the end of the Soviet Union and its authoritarian empire across Eurasia. And it opened the door to the spread of liberal values—democratic institutions, the rule of law, civil liberties, fair and open economies, respect for human rights—as the basis for stable and prosperous societies, to countries in central and eastern Europe, to Eurasia, and beyond.

According to Freedom House ratings, in 1989 more countries were identified as “not free” than those identified as “free”, 62 to 61 (with 44 rated as “partly free”). By 2012, countries rated as “free” were nearly double those rated “not free”, 90 to 47, while the number rated “partly free” remained relatively steady over that period.¹

¹ Freedom House, “Country Status Distribution, 1973-2018”, <https://freedomhouse.org/content/freedom-world-data-and-resources>

The breakdown of the Cold War order also helped unleash the forces of globalization as ideological blocs melted away, borders opened, and societies prospered. Global GDP soared between 1990 and 2010. Looking at World Bank figures, global GDP more than tripled between 1989 and 2008, from \$20 trillion to more than \$63 trillion. The global “trade openness index”, which measures the value of total global trade—imports plus exports—as a share of global GDP nearly doubled over this period from 36 percent to 62 percent.² Meanwhile, and again according to World Bank data, the percentage of persons in the world living in extreme poverty—less than \$1.90 a day—plummeted from 37 percent in 1990 to less than 10 percent by 2015. This figure includes hundreds of millions of Chinese who immensely benefitted from the post-Cold War globalization wave.

These are crude measurements, but are nevertheless indicative of the impressive changes in democratization and globalization since the dramatic events 30 years ago.

For Europe, these changes were especially dramatic. In 1989, the European Community number 12 member states with a collective GDP of \$6.1 trillion. Today, the Union has grown to 28 members, with that growth mostly from the former Soviet bloc and the former Republic of Yugoslavia. With a collective GDP three times that of 1989, at about \$18 trillion, the EU has a single internal market, a common currency amongst 18 of its members, and accounts for about a quarter of global GDP. Today, European countries are ranked at the very top of the KOF Globalization Index, which uses economic, social and political indicators to measure the extent that a country is integrated with the world—with Schengen countries holding 29 of the top 35 spots and 15 of the top 15 by this measure.³

In spite of its many ongoing challenges, the EU—which won the Nobel Peace Prize in 2012 for advancing reconciliation, democracy and human rights in Europe—stands at the forefront of the globalization and democratization trends which kicked off in 1989, and continues to be powerful vanguard for them today.

Rise of China and Asia

The rise of China—and more broadly Asia—since 1989, is the second major geopolitical trend for us to consider. Seeking to break out of their isolation in the wake of the Tiananmen crisis of 1989, China’s leaders—and most notably Deng Xiaoping in his later years—returned to the path of reform and opening—**改革开放** *gǎigé kāifàng*—in the early-1990s.

Unleashing the ingenuity and drive of the Chinese people not only helped drive globalization and global economic growth for the next quarter century, but powered China itself to the globally leading position it holds today.

By some measures, China is the world’s largest economy, overtaking the United States in purchasing power parity terms in 2013. It is also the world’s largest exporter, largest consumer of electricity, number one emitter of greenhouse gases, has the most cell phone subscriptions and internet users, imports the second largest amount of crude oil, has the second largest military budget, is the second largest contributor to the United Nations and to the UN peacekeeping budget, and boasts 7 of the 10 largest container ports in the world.⁴ Over the period 1989 to 2016, China doubled its globalization index as it became more and more deeply integrated with the globe economically, politically and socially.⁵

² <https://ourworldindata.org/trade-and-globalization>

³ <https://www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html>

⁴ World Factbook.

⁵ <https://www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html>

In so many ways, these 30 years have not only transformed China, but have transformed the global dynamic of economic, political, and military power.

Asia as a whole—and especially East Asia and the Pacific—also benefitted over this period, with the region’s GDP quadrupling in current dollars from \$6 to \$24 trillion.⁶ Australia, Japan, Singapore, Malaysia, New Zealand, South Korea, and Thailand rank highest in the region today in terms of globalization, all with rankings above that of China.⁷ And, interestingly, over the past five years, it is the Asia-Pacific region which has made the most gains in political rights and civil liberties, according to Freedom House data.⁸

Throughout all of this, the EU, China and Asia have greatly benefitted together, especially economically, over the course of these past 30 years, having deepened their trade and investment relationships, engaged closely on a range of regional and global issues, and institutionalized partnerships such as the Asia Europe Meeting, EU membership in the ASEAN Regional Forum, EU “strategic partnerships” with countries such as China, India, Japan, and South Korea, and free trade agreements and other formalized economic arrangements in the region, such as the EU-Japan Economic Partnership Agreement (entered in to force February 2019), as well as other FTAs pending or under negotiation with India, Australia, New Zealand, Singapore, and Vietnam.

By and large these two longer-term trends have been important foundations for the growth, relative stability, and connectedness of the EU, China and the wider Asian region. That is the good news.

Resilience and resurgence of authoritarianism

However, we need to turn to less encouraging news. Over the past 10 to 15 years, we have seen the emergence of two additional trends. Interestingly and disturbingly, they have in some ways arisen from the first two but also increasingly challenge them, threatening to undermine the positive aspects of globalization and the liberal rules-based order.

The first is the **resilience and resurgence of nationalist and authoritarian governance**. China stands out in this regard, but of course is not the only example. Elsewhere around the world, we see similar trends as less liberal, less open, less democratic regimes gain in strength and numbers. The most recent analysis in 2019 by Freedom House sees “democracy in retreat” as for the 13th year in a row, they have measured a global decline in civil liberties and political rights, not only in places like China and Russia, but even in democracies such as the United States, as well as in countries in Europe such as Hungary and Poland.

This development is very much related to one of the earlier longer-term trends I noted: that is, the rise of China. The most interesting aspect of this trend regarding China is not that the country has not democratized. The widespread narrative that experts in the democratic world expected such an outcome is erroneous. China, given its history and current trajectory, would be unlikely to democratize in the way other Communist authoritarian governments have done in Europe, for example. At best, over the past 30 years, we could have hoped that China would become a more open and just polity over time.

Instead, what is most interesting and challenging is that China has *strengthened* its authoritarian system, *grown* in comprehensive national power, *and* begun to promote its political and economic system as a legitimate alternative to others, including the liberal order. This is an entirely unfamiliar and

⁶ <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=Z4-4E>

⁷ <https://www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html>

⁸ <https://freedomhouse.org/regions/asia-pacific>

uncomfortable circumstance, accustomed as the liberal order was to the weakness and failures of authoritarian regimes—especially with the fall of Communism in Europe and Russia.

China, and other hopefuls of the illiberal persuasion, seem to have realized what Russia's foreign minister identified as real competition in the marketplace of ideas, that the liberal order had lost its earlier monopoly on the desired outcomes of globalization. Perhaps most importantly, we need to recall that the central motivation to this effort—indeed nearly all aspects of Chinese domestic and foreign policy—is to ensure the survival and legitimation of the rule of the Chinese Communist Party.

As the recent excellent report on China from the British Parliament makes clear—and I have not seen another major liberal legislative body undertake such a serious and insightful effort—: it said:

“Protecting core interests is what all states try to do in foreign policy, but what makes China different is that those interests are inextricably linked with the interests and perceived legitimacy of the Communist Party.”

This unavoidably creates conflicts of interests and values between China, the EU and the broader liberal democratic world, not only with regard to how China's domestic house is ordered, but how China and other illiberal regimes wish to see the international order ordered. We can expect this tension to increase going forward.

And again, this trend is not only in China. As authoritarian and nationalist resilience and resurgence gathers momentum in other countries—in Russia, in Central Asia, within Europe, and even in the United States—this trend directly contests the core values and interests of the European Union and the successes of globalization and democratization those values and interests have achieved. It is a challenge of the most fundamental order for the European Union, what is often called the European project, and its proclaimed objectives of introducing and promoting the European way to other parts of the globe, including across Eurasia and the Indo-Pacific.

As the British Parliament study concluded, China is a force for order, but not a liberal order. This conclusion—with which I heartily agree—should very much concern the leaders and citizens of the European Union.

Decline of post-war global order, and its strongest advocate, the United States

This then brings us to the fourth major trend, related to the previous three, and which has also become more evident in recent years. This trend, like the others, has enormous impacts on the EU and, like the resilience and resurgence of nationalist and authoritarian regimes, threatens the EU's values and interests, indeed the values and interests of the entire liberal democratic enterprise. This challenge is, of course, the **decline of the post-war global order and the decline of support from its strongest advocate, the United States.**

To begin, we should not simply pin blame on the current resident of the White House—though he has no doubt exacerbated this trend. In many ways, an over-exuberance—one could even call it a uniquely optimistic and too often tragic American exuberance—in what the neo-conservative Charles Krauthammer once called the “unipolar moment” drove, and still drives, U.S. leaders over the past 30 years and today to overreach strategically overseas, while under-reaching strategically at home. This has led over time to an erosion in American support for its traditional global leadership role while also undermining U.S. homeland resilience and strength.

The other three trends we've discussed have also had a role in this: globalization has disenfranchised many in the United States and catalysed a backlash toward international engagement; China's rise generates a defensive push-back; and many American citizens, like their counterparts in other parts of the developed world, see a nationalist, "us first" response as the best way to reverse those perceived threats to their identity and livelihoods.

But while there is still debate about the root causes of this trend, many of the outcomes are clear. The United States, traditionally the leader of the post-war international liberal rules-based order, is abdicating that role. From strategically-flawed defiance of international law under Bill Clinton and George W. Bush, to "leading from behind" by Barack Obama, U.S. post-Cold War foreign policy has been frequently at odds with European interests and values.

Since 2017, the U.S. president has only exacerbated those divisions while also intendedly focusing on dismantling the post-war order which the European Union helped build and on which it has thrived: criticizing like-minded allies and questioning the value of those relationships, encouraging Brexit and other nationalist movements in Europe, expressing support for authoritarian regimes, and erecting barriers to the outside world—whether to trade, immigration, or to international agreements such as the Trans-Pacific partnership, the climate change accord, or the Iran nuclear deal. The negative impact on global governance and the rules-based order is clear, and has left an opening for the other key trends—the rise of China and the resurgence of nationalist and authoritarian governance—to exploit. And they are certainly trying.

In many ways, this leaves the EU and some of its leading members alone. Very alone. Alone to pursue their values and interests in a world that has been changing, mostly in its favour over the past 30 years, but more recently increasingly against it.

Conclusions and looking ahead

Taking these four trends of the past 30 years in to account, the European Union is facing some of its most serious challenges since its founding.

The positive trends of globalization and democratization appear to have plateaued. While interconnectedness, interdependency, and the dominance of liberal political systems remain facts of international geopolitical life, they seem to have lost some of their political appeal. This is especially true in the wake of the global financial crisis and the turmoil and retrogression which has characterized European politics over the past decade. Has this trend run its course, at least for the time being? And if so, what does this mean for the EU, depending as it has on the principles of globalization and democratization as its very foundation, its *raison d'être*, in both its internal and external policies?

The rise of China has been by and large a great benefit to the EU and its member states and vice versa. China is the number one source of imports for the European Union (EU) and the EU's second largest export destination.⁹ Chinese investment in the EU has surged in recent years, from 1.6 billion euros in 2010 to a record 35 billion euros by 2016. And the 35 billion euro figure more than triples to 115 billion euro if investments sourced from Hong Kong are included.¹⁰

⁹ Data for these points generated from United States Central Intelligence Agency, *World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/>.

¹⁰ John Seaman, et al., eds., *Chinese Investment in Europe: A Country-Level Approach* (Paris: European Think Tank Network on China, December 2017), p. 9. See Alicia Garcia-Herrero, et al., *EU-China Economic Relations to 2025: Building a Common Future* (Brussels: Bruegel, September 2017), p. v.

But with China's growing power and influence have come new risks and unwelcome developments across security, economic and political arenas. We noted the recent EU strategy document which identifies China as a strategic rival. But these views have been building for some time.

More than a year ago, German Foreign Minister Sigmar Gabriel warned that China was “constantly trying to test and undermine the unity of the European Union” through a policy of “sticks and carrots” and that the BRI specifically aims to promote a system of values different from the West's.¹¹ In January this year, a report by the the Federal Association of German Business (BDI) labelled China a “systemic competitor” (and we should note that one one of the authors of that report is with us for the conference). More recently, last month, the President of France declared that Europe had brought an end to its “naiveté” toward China.

The EU and some of its member states have begun to place greater scrutiny on Chinese investments on national security grounds. Some have argued that more needs to be done: former Danish Prime Minister and Secretary General of NATO, Anders Fogh Rasmussen, recently argued for tighter EU-wide regulations to govern Chinese investment so that Chinese entities cannot exploit the weaker regulatory systems and foreign investment review mechanisms of some European countries to gain access to potentially sensitive technologies.¹²

The EU is not alone in facing these challenges from China, but it has been slower than other liberal democratic institutions to respond to them. A part of the problem lies in the divisions within the EU and within EU member states about how to respond. And of course, Beijing will work hard to exploit these divisions. But we must acknowledge that owing to China's growing reach, the nature of EU-China relations will likely change toward one of “bounded engagement”: greater skepticism, greater caution, greater scrutiny, a narrowing of the parameters of the possible in many areas, and greater sense of competition especially in terms of security, economics, and political ideas.

China's rise is also part of the third trend we discussed: the resilience and resurgence of authoritarianism. We appear to be entering a new phase of competition with China, in addition to economic competition and competition in military modernization. Today under Xi Jinping, in a 21st century battle for hearts and minds, China is investing powerful resources to compete in the realm of ideas and political influence, in an effort to legitimize the Chinese Communist Party and China's economic and sociopolitical model.

In addition, the EU faces a more immediate threat from Russia, which seeks to undermine democratic processes in Europe while promoting anti-EU and other nationalist parties. Within the EU itself, we see the growing popularity of such forces.

This is not merely a question of domestic governance in Europe—it threatens the very existence of the EU. In his recent article about the return of geopolitics and “the German question” to Europe, Robert Kagan writes that all around Germany the viability of the EU is in question: to the east, illiberalism and authoritarianism in the Czech Republic, Hungary, Poland and Slovakia; to the south, Italy governed by nationalist and populist parties with questionable commitment to the EU; to the west, he sees a France just one election away from nationalist electoral victory; and to the north, the victory of national populism which is Brexit. Even in Germany, the AfD, Alternative für Deutschland, is the third largest party in the Bundestag.

¹¹ Auswärtiges Amt, “Rede von Außenminister Sigmar Gabriel bei der Münchner Sicherheitskonferenz“, February 17, 2018, <https://www.auswaertiges-amt.de/de/newsroom/rede-muenchner-sicherheitskonferenz/1599848>.

¹² Anders Fogh Rasmussen, “China's investment in Europe offers opportunities — and threats,” *Financial Times*, November 20, 2017.

Which brings us to draw conclusions on the fourth trend and the future of liberalism itself, especially in light of an America apparently less and less willing to stand up for the ideal and the international system it built to defend it. Across the globe we see a shift in the balance of power between liberalism and illiberalism, and the EU is at the very heart of that struggle.

We should not doubt that the liberal order which the EU and most of its member represent and on which they depend is under serious assault. It is not simply that antagonistic alternatives—from the Beltway, to Budapest, to Beijing—are putting pressures on Brussels. The very ideas of open borders, open societies, and multilateral, rules-based orders are coming under fire.

Looking ahead, what does all this tell us about the European Union and Asia in a Changing Global Environment, the topic I was asked to consider. First and foremost, we must acknowledge that the EU is under enormous pressure externally and internally. Advocates of the liberal international order should be deeply concerned and prioritize their support and engagement of the EU in whatever ways they can. But it will be largely up to the EU to step up to the geopolitical realities they face, drive consensus in how to respond to these new realities, and develop a more cohesive and compelling narrative and set of policies to ensure the European way can thrive and survive for decades to come.

In this context, the EU strategy to deepen its connectivity with Asia certainly makes sense as a step in the right direction, if—if—it is properly resourced and sustained.

It provides a platform by which the “European way” of fair, fiscally-sound, and sustainable development can be promoted.

It could be an avenue to engage and compete with China on a level playing field and thereby hope to encourage more positive development approaches from Beijing while also deepening and diversifying European relations with other rising Asian nations.

Increased European engagement in the region, especially in coordination with other like-minded partners, could help sustain momentum in much of the region in favor of free trade, expanded civil liberties, accountable governance, the rule of law, and the liberal rules-based order.

And a greater EU presence in Asia will be welcomed by many in the region who are seeking compatible partners as alternatives to an uncertain and unpredictable America.

In sum, there are many powerful reasons for the EU and Asia to deepen their strategic engagement and connectivity precisely *because* it can be a bulwark against the very difficult challenges the Union and the world now face.

The question is this: is the EU up to the task? For the sake of the international liberal order, I surely hope so.

Thank you.