

IPS WORKING PAPERS

No. 4

EUROPEAN VIEWS ON ASIA AND EUROPE - ASIA RELATIONS

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August 1998

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* This paper has benefited greatly from comments on earlier drafts by Lee Tsao Yuan, Arun Mahiznan, Tom Quinn and David Martin Jones. Many thanks to Gwee Wee Chen for his statistical advice and Yap Mui Teng and Cynthia Khoo for helping with the formatting of this paper.

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Glossary

ACP	-	African, Caribbean and Pacific
AFTA	-	ASEAN Free Trade Area
ASEAN	-	Association of Southeast Asian Nations
ASEM	-	Asia Europe Meeting
APEC	-	Asia Pacific Economic Cooperation
EAEC	-	East Asian Economic Caucus
EC	-	European Commission
EMU	-	European Monetary Union
EU	-	European Union
GATT	-	General Agreement on Tariffs and Trade
GDP	-	Gross Domestic Product
HRD	-	Human Resource Development
IMF	-	International Monetary Fund
MERCOSUR	-	Mercado Common Del Sur Common Market of the South
MNC	-	Multinational Corporation
NAFTA	-	North American Free Trade Area
NIE	-	Newly Industrialised Economy
OECD	-	Organisation for Economic Cooperation and Development
ODA	-	Overseas Development Assistance
SEA	-	Single European Act
SME	-	Small and Medium Enterprise

- SMP - Single Market Programme
- WTO - World Trade Organisation

ABSTRACT

The realities of the post cold war global arena, dictate closer relations between the continents of Asia and Europe. The circumstances within these regions however are not unequivocally conducive. Europe is in the throes of integration and redefinition -- the EMU, unemployment and the return of labour-oriented governments in many European countries, leave Europe's external policy a matter of less urgent priority. Asia is no less pre-occupied. The financial crises of 1997 has spread to most of the region and to the political spheres of many of these countries. It is still unclear whether the region has hit rock bottom and things will improve, or whether the bottom will get rockier. In this light, how will Europe-Asia relations evolve? This paper examines in its first part, the views of leading European academics, politicians, lobbyists and opinion-makers on the issue of relations with Asia. Logically such a discussion should lead in the second part of this paper titled Europe-Asia relations, to a comparison of these European views with how Asia sees it itself and sees Europe in the process. The problem however lies in that Asian views cannot be discussed effectively when it is unclear to most Asians what Asia is. And to gain some clarity, how and with whom should they seek to confer on their views to come up with what might be identified as an Asian perspective? It is an important question. A fragmented Asia will be unable to negotiate as it would like with an increasingly well defined Europe. The second part of this paper therefore looks at what might be done to improve the Asian side of things. Two measures are proposed. First, there must be an attempt at intellectual introspection, as to what might be presented as a credible set of Asian values. Most importantly, these values must come

from within Asia, rather than being an attempt to show how Asia is different from the West. Second, armed with greater consensus, Asia must be willing to get involved, to carry out the international relations that are expected of the great power that it wants to be. This includes diversifying relations with other regions and specific attention towards keeping the US engaged in the Asian region through greater burden sharing. It is these steps that will make Asia a worthy partner for Europe and an equal player in Europe-Asia relations.

1. Introduction

This paper examines the views of leading European politicians, academics, lobbyists and business leaders on Asia, its politics and its economics. It asks how such views will impact Europe-Asia relations and indeed how things might be improved. This essay aimed at greater convergence however, begins with a paradoxical premise: The most dominant theme or constant in Europe-Asia relations in the 1990's is flux. Europe in its parts and in sum is in a state of redefinition. The academic discourse is diverse. There are those who argue that regionalisation and globalisation are compatible, with regionalism standardising behaviour and inter-regional blocs systematising the global order (Fawcett and Hurrell, 1998). Others suggest that newly developed regional blocs, anxious to preserve their new found identity will derive utility from protection (Keohane, et al., 1993). On the national level, Naisbitt (1994), points out that the globalisation of the world economy is simultaneously witnessing the emergence of smaller states, leaving nationalism still a feature of modern Europe. The spectre of unemployment and resurrection of socialist oriented governments in so many European countries adds a further twist to the European condition.

Asia's status is none too stable either. While in the early 1990s, the spectacular success on the economic front was thought to be a solid base on which social and political changes could be contemplated, the financial crisis of 1997-98 has left most of the East Asian region grasping for ideas in almost all spheres of public life. There have been massive changes in attitudes with the coming to power of Kim Dae Jung in South Korea and the ousting of Soeharto

in Indonesia. But it is not entirely clear that Paul Krugman (1994) was right all along about the “Myth of the Asian Miracle”, or that the West is justified in its *schadenfreude*. The fact that some Asian countries have suffered more than others, and not all European countries have been continuously economically successful, leaves the East Asian model a project for revision rather than rejection. Neither is it only a matter of intellectual acceptance; political regimes empowered and entrenched in some cases by their economic success find it difficult to simply accept and worse still explain to their citizenry that they were wrong all along. There is likely to be some convergence in concepts and systems between East and West, but how much and how quickly and whether new ideas might evolve, is still unclear.

Given the turbulent realities at the regional level, imagining Europe-Asia relations might be a bit of a stretch. Trying to understand European views on Asia in this context poses the obvious challenge of long-term validity and the question of whom represents Europe. But it also poses a necessary challenge. The ASEM (1996), initiated amidst a number of other measures like the European Commission’s New Asia Strategy (1994), suggests strongly, both the political and economic imperative for closer engagement between Europe and Asia. At present, the United States stands in a position of unique power. Its influence has been further enhanced through an expanded NATO and a strengthened APEC. This as Koh and Lee (International Herald Tribune, March 1, 1996) suggest, leaves an obvious void in relations between Europe and Asia which are the only other two entities able to pose a balance of power of sorts to American clout. Indeed there are signs both in Europe and Asia that American

superpowerhood needs to be managed. Helmut Kohl (1993a) noted after the last APEC meeting that “Europe was being left out of the major cooperative endeavours of this era”. In Asia, proposals like the EAEC might be interpreted as a backlash against the US. Europe-Asia relations are therefore a necessary but difficult pursuit. This essay however argues that if the appropriate measures are taken, setbacks need not mean sclerosis.

2. The Argument of this Paper

If any of the measures taken in Europe-Asia relations are to have credible effect, it is critical to understand how Europe and Asia perceive each other. Enabling understanding is important in most international collectivities since they require a very high level of momentum for sustenance. This is more so with Europe and Asia which have suffered a lapse in ties in the post-colonial period. The first part of this paper looks at Asia’s economic opportunities in the medium/long term since this is perhaps the most attractive dimension for Europeans in the first instance. Second it examines the views of European politicians, lobbyists, academic thinkers and business leaders (particularly in Western Europe) on this opportunity. These opinions however, must be studied not in isolation but in the context of other factors which affect the European imagination in finally deciding to engage with Asia. Three issues are especially significant in this regard.

First, European Union and how this affects Europe’s external relations is discussed. However, even if Europe should decide to go abroad, it is not at all clear that Asia will be the obvious choice. Certainly Asia has some advantages

at the moment, but one of the defining features of the new world is the rapidity with which comparative advantage can be erased. The emergence of alternative economies, (particularly ones in Africa and Latin America which have long held political appeal for Europe) is the second issue this paper examines. Third are the issues of human rights and democracy. This has been a problem in Europe-Asia relations to some extent, but is likely to become more problematic as these issues take on greater significance in the post-Cold War era.

Discussing European views on Asia however can only be one part of a paper which deals with Europe-Asia relations as well. Presumably, in an era which was not too long ago touted as the Pacific Century, Asia would want to be and would be accepted as an equal partner in dialogue. Most Asians would agree with this. The problem however lies in that while most Asians want to have a say, the tone of that voice, remains both muted and untuned within Asia. This obviously does not make it any easier for Europeans engaged in the process of Europe-Asia relations either. The latter part of this paper deals with how Asia might look within itself, might get its act together. Asian integration is an idea that the West sees as Asia's best shot. What are the problems and merits of this idea? This paper proposes a more moderate solution which is likely to appeal, at least in the first stage of inter-regional discourse, to the disparateness that defines Asia at present. Two issues are of particular importance.

First, a set of core intellectual values that define Asia must be cultivated. These values especially in this period of flux, should focus on the process of

dialogue, means of communication rather than on the ends. This however is compounded by the question of how far and wide should such a process be extended? Where does Asia begin and end? Though Europe-Asia relations at present is clearly limited to East and Southeast Asia, the recent nuclear tests in South Asia suggest that East Asia cannot remain exclusive always. A more sophisticated articulation of the idea of Asia is imperative. Finally, Asia must, as it has done, continue to diversify its relations with other regions with a continued commitment to the US. Global influence will make it a more worthy partner for the European Union. It is such measures that could move European views on Asia towards a convergence with Asian aspirations for Asia -- a prerequisite for continued momentum in Europe-Asia relations.

3. Europe's Opportunities in Asia

Though it is difficult to remember in an American-Japanese business driven world, Europe was Asia's first investor and trade partner. This however withered in the post-colonial period as Asia looked inward and Europe looked mainly to Africa or the Mediterranean, to engage in investment and trade. For example, the Lome Convention gave the ACP (African, Caribbean and Pacific) countries a degree of privileged access to European markets for ACP exports, that was not available to other third world countries (although the NIEs had chosen an export-led strategy as well at the time). It also provided generous financial aid to these countries, programmed on a five year basis and this gave the EU considerable influence over the development priorities of the ACP countries (The Economist, November 30, 1996). The possibility of exercising

political and economic power however, is perhaps what drew the EU towards the ACP which remained factionalised in terms of domestic politics and therefore more malleable to foreign influence. This was unlike East Asia which being fiercely anti-colonial (even in all its ideological factions), tended to look inward or in any case, away from its former colonial masters and towards the United States.

This however, changed in the 90's. In 1993, the World Bank published **The East Asian Miracle** which highlighted the successes of the High Performing Asian Economies (HPAEs) and factors leading to their economic growth. In particular, stable macroeconomic policies (including sagacious exchange rate management), high rates of savings and investment, reliance on export-promotion, a focus on infrastructural development (especially human capital), market-friendly microeconomic policies and strong economic bureaucracies were cited as the most important determinants. Several of these factors, in particular market orientation, human capital infrastructure and in general the stability and prosperity in these economies were encouraging for foreign investors.

Apart from the smaller countries, which this report covered, the opening up of China, India, Indonesia and Vietnam (though less efficient and developed), increased drastically the opportunity cost of not being involved in Asia because of the sheer size of these economies. The European Commission has published separate and specific papers on trade strategy in China and in India, emphasising the focus of European interest in Asia. Asia then comprised 59% of the world's population, 25% of world trade, and earned

27% of Gross National Product. It became impossible to ignore Asia's leading role in global financial markets (Helmut Kohl, 1993b) and that one third of foreign currency reserves were held by the Central Banks of Asia. There was much to suggest that the region would continue to experience above average growth and that Asia might become the most important continent of the 21st century. The much-touted Pacific Century was about to begin. For Europe, in immediate economic terms, this meant, as mentioned earlier, market opportunities for consumer and producer goods including infrastructure possibilities, health, education and pollution control -- all needs which European companies could in theory satisfy (Lehmann, 1997). Certainly these opportunities are now tainted by the current situation in East Asia. Nevertheless there are other relative considerations which would push Europe towards Asia.

Asia's opportunities become further emphasised in the light of Europe's problems with Eastern Europe and Africa. The most recent LOME Convention suggested that Europe as a block, (though countries like France are still keen), has tired somewhat of funding Africa's corrupt governments and their failure to develop economically. Gunter Rexrodt (1994), Germany's Federal Minister for Economics, noted that Southeast Asia which in theory competed with Central Europe for Western European investment, is preferred because it is more politically stable, has a faster growth rate, larger population and more successful work ethic (in terms of diligence, skill and entrepreneurship)

Asia has deliberately courted European interest. Wary of becoming overly dependent on the United States (Jung, 1997) and somewhat

disappointed at the lack of transfer of “core technology” from Japan and the United States, East Asia has begun to look seriously at Europe (Corradog, 1993). A secondary, but noteworthy point is that East Asia has through its historical experience, harboured a shadow of fear with regard to Japan. Germany though it suffers the same fate in Europe, is not subject to it in East Asia.

The prospects of AFTA in 2003 which enlarges the Southeast Asian market for European investors, has been encouraging for European involvement in Asia. This will mean some 10 countries with 470 million people, with considerable increase in middle-class purchasing power and consumer demand (Lehmann, 1997). Asian integration is encouraging because the EU is not excluded from economic integration programs. Not only are preferential trade agreements outward looking, APEC itself is based on the concept of “open regionalism” (which will be discussed in greater depth later in this paper), and aims to remain faithful to the letter and spirit of the WTO (Shigeyuki and Plummer, 1996).

Europe has taken up some of these offers. It is significant that big European firms have shown significant interest in Asia, often being quicker to invest than their American or Japanese competitors. The French telecommunications firm Alcatel was the first large foreign firm in China. Siemens, MAKRO, and Unilever are amongst the other large corporations involved in Asia (Shigeyuki and Plummer, 1996). Most recently, despite the spreading currency and even political turmoil in some Southeast Asian countries, the Swiss-Swedish engineering conglomerate ABB (Asea Brown

Boveri Ltd.), has decided that it would rather sink its savings in Southeast Asia rather than Western Europe or the United States. This will result in the loss of some 10,000 jobs and is likely to rank amongst the biggest single corporate retrenchments in Europe (International Herald Tribune, September 19, 1997, p.1).

Despite these positive steps for Europe-Asia ties, most of the literature concedes that European economic interest in Asia could be better. The following trade matrix indicates that in the main, the EU trades with itself.

Table 1: Trade Matrix for Selected Regions, 1996

	EU15	ASIAN10	NORTH AMERICA
EU15	61	14	16
ASIAN10	8	37	23
NORTH AMERICA	8	22	43
AFRICA	3	1	1
LATIN AMERICA	2	2	13
OTHERS	18	24	4
GTOTAL	100	100	100
US\$ Million	3,994,800	2,037,608	1,996,369

Sources: IMF, Directory of Trade and Statistics yearbook, 1997

The following sections try to explain why these are the statistics that define Europe-Asia relations.

4. European Political Economy

4.1 Europe's Economic Problems

European economies are at a very different part of the economic cycle than Asia. It is often easy to forget that it is indeed a cycle and explain boom and bust by cultural factors, by civilizational capacities. The powerhouse of the most recent centuries, Europe today is facing massive unemployment and a

sense of decay in many parts of the continent. And for sometime now, “Europe has laboured under the dreaded conviction that Asia is rising, America roaring along, while the old continent sleeps amidst its predatory ghosts” (The International Herald Tribune, September 19, 1997, p.1). An advertisement for a conference in the International Herald Tribune reads, “Is your next business partner coming from Asia, or your next competitor?” Trade unionists in Europe argue that “Asia succeeds because it has no social security system, no environment and safety protection, no respect for intellectual property and therefore no associated costs for industry” (The Times, June 21, 1997, p.21). Jospin suggests that “to give into sweatshops in Shanghai, would be the end of civilization”. Fear is reinforced by moral imperative.

The obvious question of course is, how does this really affect European business interest in Asia which should be the prerogative of entrepreneurs rather than trade unionists? Europe-Asia relations however, like most globalisation in the 1990's, is a project both for government, its interest groups, and businesses. In this complex arrangement, trade unionists will implicitly influence the activities of entrepreneurs. The following section explains this in greater depth.

4.2 Europe-Asia Relations: A Project for European Political Economy

The very emergence of the discipline of political economy affirms the view that in most parts if not in all, economics and politics are greatly interrelated. For Europe, it might even be plausibly argued that European

business capacity in Asia has been tepid because of a lack of positive governmental initiative both in Asia and Europe in the past. The reasons are as follows. First, geographical distance is a significant factor. Asia for Europe is much further and psychologically different from Eastern Europe, Latin America or the Mediterranean. Second, the intricate and personalistic nature of Asian business, often lacking in clear legal certainties, is new to European businesses which have functioned in the main in very different business environments.

A third, more general problem for modern political economy is the size of firms and the assistance they require from the state in investing abroad. While big European firms have in the main been somewhat optimistic with regard to Asia, the small or medium sized enterprises (SMEs), which are more dependent on government and media interpretation and information, have had problems. SMEs however, are important in reflecting one of the themes of modern international business. Globalisation in the nineties is more than the globalisation of MNCs, it is the globalisation of markets and capital (Svetlicic, 1996). Naisbitt (1994), emphasises that while there is a move towards a more integrated global economy, its component parts are getting smaller. Customers are keen to have more personalized products and more products require day to day servicing. The age of Fordist production is over. Mass-customisation in many cases means more medium sized enterprises. Given that such enterprises require assistance from the state in investing abroad, business therefore necessitates complex negotiation between states and firms (Svetlicic, 1996).

Fourth, learning from the Japanese endeavour in Europe, Europe is beginning to realise that European cooperation in Asia might be more fruitful than undercutting each other in the name of open competition and regulation. A central agency, possibly coordinated by government or an associated body would be useful.

Fifth, it is not possible to get involved in Asia purely economically, given the rapid changes that are occurring in the political scene in many Asian countries. There are several trouble spots in the region such as North Korea, the South China Seas, and Taiwan. On the domestic level, in many countries, i.e. South Korea, Indonesia, the issues of democratisation and human rights have significant influence on stability. To be successful in Asia, it is necessary to be a part of these changes, to be in the know and even to influence these changes.

Sixth, in Europe, there is a resurgence of the social concept. It is not yet clear what exactly this means for Europe. Certainly there are differences between New Labour in Britain and French socialism. The point however is that the ideological debates with regard to the role of government in society and economy will be reopened in many of these countries, even if only to be dismissed later. In the mean time however, as Vernon and Spar suggest in **Beyond Globalism** (1989), government and economics are highly interrelated phenomena which must then be analysed as such.

These factors explain why political actors are important in determining entrepreneurial activity, why trade unionists can influence business. The realisation of the political economy dimension is evident in the very conception

of ASEM. The idea for ASEM was first broached at the World Economic Forum's Europe – East Asia Economic Summit in Singapore in October 1994. Singapore's Prime Minister Goh Chok Tong, then suggested the idea of a summit meeting during consultation with former French President Francois Mitterand that same month (Dong and Segal, 1997).

European governments themselves have taken some measures towards Asia. They have worked to create the infrastructure necessary to expand economic interaction to some extent, with support coming from the highest levels. The Vice-President of the EU Commission visited Vietnam in September 1995 and opened a representative office of the EU Commission in Hanoi. The EU's joint Committee on Human Resources Development (HRD), unveiled a plan to set up in Europe a seminar on investment in Vietnam. In addition the EU has opened a business information centre, which collects extensive data on the actions of European firms in Thailand and Indonesia. The UK Chamber of Commerce in Thailand, brought together more than 100 firms to open a series of study sessions devoted to benefiting from Japanese Overseas Development Assistance (ODA) in the region. They also sought funds to undertake various research projects on how to tap Japanese money in Asia (Shigeyuki and Plummer, 1996). While the EU carried out these measures in the main, divisions in the EU and the problems of EU integration prevent further and more concerted efforts in Asia.

4.3 European Integration

European integration is still a project that is not entirely or comfortably

acknowledged as irreversible. Europe at the moment is divided. The problems in implementing the European Monetary Union (EMU) demonstrate these divisions clearly. The situation is likely to worsen with expansion of the Union to include certain Mediterranean and Eastern European countries which are at a level of development that is considerably different from that of Western Europe (Willets, 1997). How does this affect the EU's external relations? It is still not clear what union will mean or when it will be effective in voicing a single European voice. Views of different European players therefore, remain relevant.

Britain, as suggested by its reluctance to join wholesale the European endeavour, and during the recent Amsterdam Summit, remains perhaps the most open of the Western European countries, to foreign ties. France and Germany on the other hand are under tremendous pressure to provide immediate jobs. In France, this is the ballot Jospin's party used to come into power. There is renewed commitment to the welfare state and the government has promised to cut the working week, without cutting pay and to create more jobs. Consumed by internal problems, it is not at all clear how France will respond to Asia. However, there is likely to be less enthusiasm than was evident in the previous government where Jacques Chirac (for whom Asia held personal appeal), held relatively greater sway.

Helmut Kohl and his government have been extremely keen on Asia. However, unemployment is reaching new heights in Germany and there is speculation that the socialist factions in German politics may well come into power in the next elections. While German leadership realises that if German

imports into Asia are increased from 4 to 10%, 400,000 extra German jobs would be created (Kinkel, 1993), this is not immediately apparent to angry unemployed youth. Roman Herzog suggests that in Germany, there is a loss of economic dynamism, an ossification of society, “an unbelievable mental depression” (1997, p.22). It is difficult to justify channelling government funds into improving Germany’s economic presence abroad.

Despite the differences in views at present, opinions will be forced to coincide as European integration progresses. With expansion of the EU, the need for jobs within the EU will increase as will the opportunities for investment. Significantly, intra-EU flows of FDI have increased from U.S.\$3.2 billion in 1984 (0.09% of EU GDP) to \$58.73 billion in 1993 (0.93% of EU GDP). One of the largest FDI providers, the UK now has one third of all its FDI within the EU as compared to one fifth in 1981 and 15% in the 1960’s (Pain, 1996). This is seen as the possible result of the Single European Act of 1986 which went a long way towards standardising technical standards and regulation, moves to public procurement and removing restrictions on capital flows. This trend is likely to be reinforced by European institutional pressure to place Europe first.

This is not to say that Europe will definitely become less interested in Asia , but it is important to note that the expansion of the EU is consuming Europe, intellectually, socially and economically to an extent where it has less energy left to consider the outside world. Where it does consider Asia, the latter will compete with other emerging economies.

5. Alternative Emerging Markets

An alternative almost always becomes most attractive when there are problems with the existing environment. The lack of clear legal systems, copyright laws, bureaucratic inefficiency and caps on profit in several Asian economies are dissuading factors for European enterprises. Certainly, this is changing, but more needs to be done as Asians themselves realise. While larger corporations might rationalise that a nebulous business environment implies more profits for the firm which endures the test, SMEs find it difficult to cope with such uncertainties. Other emerging markets have similar problems, but there are advantages as well. The point to note is that competition is keen. The most credible alternative is Latin America.

Barring accidents, by 2001, an integrated and now relatively open market of 240 million people with an output of well over one trillion dollars will stretch from the Brazilian north-east to Chile's Pacific Coast, South America's southern cone (The Economist, October 12, 1996). Indeed, the competition between the United States and the EU to win favour with MERCOSUR (Mercado Common Del Sur or the Common Market of the South) gives the latter significant credibility. MERCOSUR will be the world's third largest integrated market after NAFTA and the EU. At present, countries like Chile and the six Latin American countries of the Andean Agreement have expressed interest in joining MERCOSUR. Though there are significant problems with Latin American integration (just as there is with Asia integrative efforts), there has been considerable success too.

The question that needs to be considered in Asia, is whether Asia will be

able to present a unified Asia block, even if just in East and Southeast Asia. Regionalism, as suggested at the beginning of this paper may not be a matter of choice for Asia in the light of global developments, both to present itself more attractively to the outside and to shield itself from discriminatory regionalism elsewhere.

The argument about alternative markets is not to suggest that Asia is out of the running. Businesses, forced by economic sense, will diversify and engage in all emerging economies including Asia. However, Turner and Hodges (1992) suggest, in the new economic order, markets are “arbitraged” - infinite adjustment is necessary to sustain the interest of highly mobile European capital. Notably, during the recent currency turmoil, for every point that dropped on the Hang Seng index, points were gained in Eastern European exchanges. This is a critical point for Asia and for Europe as the investment capacity of Asian firms increase in the future. The theoretical ideal of perfect competition is taking on a startlingly real colour.

6. Understanding Asia

Europe did once know Asia well. History however, has withered, leaving in the main feelings of hesitation on both sides, fear of neo-colonialism in Asia and memories of a poor continent ruled by despots, for Europe. The high skill side of Asia remains somewhat unknown to Europe. Malaysia and Singapore are involved in a quiet struggle to become Southeast Asia’s Silicon Valley, but there is little knowledge in Europe about Mahathir’s plans for the multi-media super corridor project or Singapore’s intentions of becoming an “intelligent

island” (The Times, June 21, 1997). Bill Gates notes that Europe has fallen far behind in terms of software development and that the next wave of software creation will come from Asia, most notably India. Some Europeans however, have kept up with developments, but have come to very different conclusions about the future of Asia, than what Asia has in mind for itself.

Some argue that Asia in time will eventually become like Europe in its social values - a view which does not hold well with an Asia anxious to define itself uniquely and to get away from its colonial past. Alternatively, there are a small but influential group of European cynics. Any sign of economic problems in Asia are quickly picked up on and touted gleefully as the end of the supposed Asian miracle (The Times, September 1, 1997). Asia is often divided as two, small and large economies.

Small economies. These are in the main in Southeast Asia. There has been plenty of *scadenfreude* about the recent financial crisis in Southeast Asia. Gerald Segal notes that the problem with so many of the Asian countries was that they believed “Asian Values would help them get out of their problem.” The Asians are now discovering that the “economic wonders worked by cheap, docile labour, weak exchange rates, and closed domestic markets cannot be sustained forever”. Labour disputes and clashes between workers and business will multiply and the Asian miracle will turn out to be not so miraculous after all (The Times, January 12, 1997). Moreover, Yoshihara Kunio (1988), notes that unlike Northeast Asia, Southeast Asia’s economies are not quite real. “Technologyless” and always functioning on credit, they are likely to face crisis like the one experienced in recent times.

Large Economies --China, India, Indonesia. This is where Europe's real interest lies. However, even these are beset with problems for some Europeans. Tylecote notes that the huge economies of Asia cannot mirror the success of the four little dragons, because they face a very different internal and external environment (The Guardian, November 3, 1997). The four dragons had a sounder foundation in terms of land reform, technical education and machinery of the state which Indonesia or China lack. Corrupt and forced to support state enterprises rather than simply favouring their growth (like the Chaebol in South Korea), these countries have a hard road ahead.

Second, at the level of world economy, the arithmetic looks very different. These new economies will probably want to pay their way using low technology, labour-intensive goods. While this was absorbable on a global level with the output of the little dragons, for huge Asian economies, it might be impossible to do this without deflating the world price of these goods (The Guardian, November 3, 1997). This is compounded by the increased price of goods like fuel and food which these same countries will need more to grow. Notably, Indonesia, a long time oil exporter, is on its way to becoming a net importer by the end of the decade. The numbers according to Tylecote (1997) are unlikely to even out and "we will be lucky to keep our locomotive until the year 2000" (p.20).

Paul Krugman (1996) lends a tone of finality to impending doom, when he says the idea that these countries could dominate the world in the next millennium, will look as quaint in 20 or 30 years as the once popular notion that Leonid Brezhnev's Russia would become the world economic superpower. Of

course, Krugman has had his critics. Most often cited is the focus on sources devoted to the experiences of Singapore and Hong Kong, two very small city-states which are probably not truly reflective of the larger countries in the region such as China (Shigeyuki and Plummer, 1996).

These various views circulate in different European circles, with certain views enjoying higher popularity at different times. Most recently of course, the cynics have held rein. The recent financial crisis has undoubtedly cast a pall over what positive European perceptions there were with regard to Asia. Many firms have indeed reduced their involvement here. There are however some positive points that should be noted. Europeans have recently stepped up their broader contributions to both economic stability and security in Asia suggesting that Europe realises that it ought to play a part in developing the kind of Asia which will be beneficial to itself rather than to remain passive. European governments and the EU have provided some \$86m to a project led by America, Japan and South Korea that is building two light – water reactors in North Korea in return for the country agreeing to shut down its production of plutonium (The Economist, April 4, 1996). In 1997, the EU contributed \$69m to the UN's World Food Programme to avert famine in North Korea. And assuming a credible election was organised in Cambodia, the EU agreed to stump up more than \$11m towards the cost. This suggests that there is significant divergence in European views on Asia. Scadenfreude is mixed with a more positive proactive attitude, but it is a combination that is often pushed to the negative in light of issues in human rights and democracy.

7. Human Rights and Democracy

In this final part, we look at what has been a recurring theme not just in Europe-Asia relations but in Asia's relations with the West. In the past, it has been difficult for Europe to decide on how to deal with the human rights issue in Asia without selling itself short in economic terms. Encouraging British investments in Myanmar while faulting human rights, selling millions of dollars worth of arms to Indonesia while upbraiding the handling of the East Timor issue by that government, and almost everyone wanting to get a piece of the action in China as they celebrate anniversaries of the Tiananmen Square Massacre, suggests a great deal of ambivalence. This uncertainty however, could change soon.

One might argue that rather than a constant conflict between values and economic profit, Europe and in general, the West's emphasis on human rights and democracy is used as and when it suits its own ends - an insincere attempt to increase associated business costs in Asia. The argument is not invalid. Certainly, with Japan, one of the very few Asian countries where the arguments for democracy or human rights cannot have much validity, the Western sentiments have revolved around a negative frustration with regard to Japanese competitiveness. This almost suggests that indeed there is something rather distasteful for Europe about Asian competition and prosperity. Nevertheless, it cannot all be dismissed as petty envy.

The Left in Europe, traditionally the bastion of the people's rights, has come back into power in Europe in several states. Admittedly, the new Left, like New Labour in Britain is much more diluted in its radical principles than the

Leftist parties of previous decades. Still, it is worth noting that these parties remain somewhat more truly committed to the ideals of human rights and democracy than the conservative Right. In Britain for example, as Cook has said, there is an attempt to define a more “ethical foreign policy”. The 1994, **Towards a New Asian Strategy** document stresses that the Asian development model must embrace democracy and liberty based on the same philosophy on which the EU was built .

The view toward influencing Asia’s politics has more than a dimension of morality. Some argue that support for human rights and democracy is necessary for successful business ventures in Asia. Political problems in Asia, it is argued, can cause trouble for foreign investors. As mentioned in an earlier section in this paper, Asia is in a state of political flux. An article in **The Times** notes that if ever “a political accident was waiting to happen, it must be in the Pacific basin. Transient political entities like Singapore can be segregated for a while from their hinterlands, but not forever” (January 6, 1996). Arnoud De Meyer, head of the Europe-Asia Centre at the Insead Business School near Paris notes that there are “similarities in media coverage of the go-go Iran of the early 1970’s and Southeast Asia in the 1990’s” (The Times, January 6, 1996). Although he does not condemn Southeast Asian governments to the Shah’s fate, he recalls Tocqueville’s point that revolutions happen when rising expectations are dashed.

Rising expectations are perhaps most evident in Southeast Asia. Here, living standards have doubled in the past decade. However, as economies mature and crisis occur, populations are likely to become discontent with

political conditions as happened in South Korea or China in 1989. Undoubtedly, the instability will have an impact on foreign investment. The EC's Asian strategy therefore includes discussion of many of these issues (particularly with regard to economics). Political reform, human rights, and respect for the environment are amongst the key issues mentioned (Abe and Plummer, 1996). These issues are of course the ones that Asian countries find most counter-productive in bilateral dialogue.

It could be argued that the relatively calm situation in Hong Kong after its return to China might reassure Europe. Gerald Segal however makes the contrary point when he notes that Hong Kong has remained relatively undisturbed because of the West's insistence on keeping it so, on holding out to China. On this advice, Asia for Europe would seem an area where they must get actively involved in politically, if they are to invest successfully. European political actors are still in the process of deciding whether it will do this. The following however, is worth noting both in Asia and Europe.

The debate is too often simplistically dichotomised into East versus West and how should the liberal West engage an illiberal East. The reality however is that there is a strong impetus for democracy and human rights within Asia. Sam Rainsy, Aung San Suu Kyi or Kim Dae Jung are not European. Very recent events in Indonesia, Myanmar and Cambodia, show that the region is at a point of flux in terms of its attitudes towards human rights and democracy. Europe needs to contend with these changes more rigorously. The conservative Right in Europe which used to look East Asia's tigers as a model for Europe and the centrist left need to work out a more coherent human

rights policy. Asia too must work out where it stands. The crisis has shown as Anwar Ibrahim wrote to his own detriment in the International Herald Tribune, that political reforms must be implemented and civil society must be nurtured in Asia. These reforms must be reconciled with the diversity that exists within Asia. And Asia is getting bigger all the time in the sense that ASEAN is expanding and as the recent nuclear tests in South Asia suggest, all these countries are related extremely closely. Shilly-shallying on either Europe's or Asia's part, can only lead to unfortunate situations such as the recent cancellation of the ASEAN-EU Joint Cooperation Conference in view of Myanmar's participation (The Economist, November 15, 1997). Moreover, the Europeans need to be more open to Asian attempts at dealing with the issues of political rule and human rights. The proposal for a Bill on Human Obligations (as opposed to human rights) for example, has received very little if any mention in European circles.

Thus far, this paper has examined European views on Asia. It has looked at the problems with these views as well. But how will they affect Europe-Asia relations? In theory, this should depend very much on how Asia sees these views in comparison to its own on Asia. The problem however, lies in that it is unclear to Asians, what their own views are on Asia. This obviously complicates matters further for the Europeans and Europe-Asia relations. As such, the following pages look further at how and why an idea of Asia is necessary.

8. Developing an Idea of Asia

8.1 Why an Idea of Asia?

Developing an idea of Asia entails deeper integration. The word integration however brings to the fore all sorts of connotations and uncomfortable propositions for an Asia that is highly diffuse. The precedent of European integration suggest political integration, economic integration etc.. What is meant here by integration however is something more moderate. Couched in Asian terms, it might be seen as a “harmonization” of views. The reasons for integrating Asia are twofold. First, integration is likely to help Asia deal more effectively with its own internal problems. These problems are rapidly piling up in the realms of economics, security and environment. The recent crisis in East Asia and the inability of these countries to come up with any real Asian solution, and then being forced to adhere to IMF solutions is not a situation befitting a region which hoped to lead the Pacific Century not too long ago. The seriousness of the issue has been further highlighted after the nuclear tests in South Asia. These events have once again brought to the fore the ever lurking question, where does Asia begin and end?

Thus far, East Asia has been regarded as distinct and perhaps more important than South Asia not just by America, but by East Asia as well. The frustration for South Asia of not being taken seriously however has touched a very raw nerve. Thus far East Asia has concentrated on engaging China. Engagement however should not pass into deference. It will be worthwhile for the rest of East Asia to look into improving East -- South – Asian relations with a particular emphasis on strengthening Sino – Indian relations which is

perhaps the most explosive area. In terms of Euro – Asia relations, it is worth noting that India is one of the countries of major economic interest for major European investors like Britain and Germany.

Proposing greater consolidation brings up the obvious question of what type of integration is intended and by what means it should be achieved. Integration here must consist of more than the ASEAN style of consensus and flexibility. While it might have been possible to exert Asian styles in the assumption of a coming Asian century, it will be less acceptable for obvious reasons in the future. In an era of change, the focus must be on process rather than on contents of the discussion. Having said this however, it is recognized that even process requires certain fundamental common denominators. In Europe, these are human rights and democracy. Asia must engage in some intellectual introspection as to what its own basic values might be.

At this juncture, it should be noted that solidarity inspired by cultural similarity however should not be confused with being bound by culture. What is proposed instead is an Asia that is inspired by traditional proximity but bound by principles and institutions which can deal with the problems of the present era. These may even resemble European institutions uncannily, but that should be beside the point. The attempt to define these debates on inside and outside groups, between East and West is both self – defeating and reeks of an underdeveloped Asia, the Asia of dependency theorists. Developed countries are by definition those which have the confidence to decide what works and dismiss what does not without being hedged in by prejudice. Perhaps it is this that would reflect the true independence of an Asian civilization.

The second set of reasons for Asian integration, have to do with Europe. European integration and its tendency towards exclusion of the non-European countries, serves to highlight the bloc-think mentality of the new world order. Europe-Asia relations, as Lehmann (1997) notes, is one of asymmetry, between a European bloc and a fragmented cluster of countries roughly grouped together under the heading Asia. Establishing dialogue becomes frustrating in this case because while the EU will in time be able to implement across the board, policies agreed upon in ASEM, Asia may not be able to say the same for itself with any certainty.

8.2 The Idea of Greater Unity in Modern East Asia

Asia watched as the WTO took over from the GATT in the post-cold war era, suggesting a new era of economic cooperation. On the other hand, regional organizations such as the EU and Mercosur were breaking down internal barriers with new vigour. Naisbitt (1994), has argued that this is the global paradox of the 20th century. As mentioned earlier, some view the paradox as a juxtaposition which is not necessarily incongruent, with regional blocs helping to speed up the globalisation process through standardisation across clusters of countries. Others view it as an oxymoron, as a process where one works to the detriment of the other.

Asian countries initially held the latter view: economic integration in the EU, as well as political developments in that region seemed to indicate an inward looking attitude. Even if the EU did not become a “fortress”, this trend detracted ostensibly from the EU’s commitment to the WTO/GATT. Evidence of this could be derived from the failure to reach a successful conclusion to the Uruguay Round in December 1990 and December 1992, where EU was seen to be culpable in its failure to liberalise agriculture (Abe and Plummer, 1996). Fears were worsened in Asia after the American decision to embrace for the first time as a commercial policy strategy, the U.S.-Canada Free Trade Area

(1989) and finally NAFTA in 1994. The inclusion of Mexico in a U.S. regional cooperative arrangement was thought to be problematic from an Asian perspective, as it was the first time one of its major trading partners would give preferential treatment to a large developing country (Krein in and Plummer, 1992).

The successful completion of the Uruguay Round did calm fears to some extent but some would argue that the development of APEC suggests that Asia felt an acute need to be part of some kind of regional arrangement in a world of trade blocs. This argument is problematic although it probably reflects the ambivalent Asian attitude towards regionalism.

8.3 Inter-regional Associations and Regional Associations

APEC is not a regional arrangement. It is an inter-regional attempt. A substantial part of its energy in fact comes from outside the region—from the United States. It functions on the principle of “open regionalism” or an agreement amongst a cluster of states that is primarily geared towards making them more accessible from the outside. Open regionalism does not in any sense create a “community of states” (Mayall, 1982) with a real sense of commitment towards each other, bound by a common set of values. The paradox however is that open regionalism relies on the basis of such a community. To be truly open and equal to the task of interacting with the outside, the internal core needs to be defined quite tightly. Inter-regional relationships like APEC can serve at its best to systematise communication between well defined blocs. The same is applicable to the ASEM.

Some writers argue that the lack of real success in APEC is perhaps the

best indicator of the missing Asian bloc. Asian fragmentation has been noted by thinkers like Bello and Malaluan who call APEC, “four adjectives in search of a noun” (Bello and Malaluan, 1996). David Hellman goes as far as to note that the flaws of APEC as a viable international organization are potentially fatal because of a refusal to discuss real issues such as security and because it does not confront the problems of Asian integration (1995). Of course these are arguable viewpoints. Nevertheless they cannot be dismissed as complete polemic. Even moderate views from within the region, have brought to light the North-South divide amongst Asian countries in regional fora (Alatas, 1994) an argument which is elaborated in Jeff Atkinson’s, **APEC-Winners and Losers** (1997).

This is not to surmise the same future for the ASEM. There are positive differences. A significant and equal part of the political influence comes from Asia and political power in Europe is far more diffuse than it is in the United States which holds high rein in APEC. The first ASEM was attended by heads of states in the main, rather than ministers as with APEC and political issues were prominent right from the beginning in the former, though they were deliberately side-stepped. The point that this paper hopes to make is that this initial success can only improve if the basis for inter-regional contact is satisfied - the existence of somewhat more clearly defined regions in Asia and Europe.

8.4 Problems with Asian Integration

The literature on the problems of Asian integration is vast and well-grounded. Historically, the concept of Asia never existed within Asia. Rudyard

Kipling, Somerset Maugham and Joseph Conrad first created the idea of Asia for educated Asians in the colonial and immediate post-colonial era - a continent unified in its 'darkness' or in its quaintness. Neither has history been very encouraging. Apart from being united by anti-colonial sentiment, most countries in East Asia have retained a tremendous sense of enmity towards countries like Japan or China due to historical experiences.

These sentiments are further complicated by the dynamics of power, (determined by the diversity of size of states), and by civilizational/religious differences. Samuel Huntington (1997), argues that these differences will only be heightened and reaffirmed in the modern era in East Asia which is divided into three main civilizations: Islamic, Chinese and Japanese. Certainly, as China opens up and builds up both economically and militarily, fears are constantly expressed within the region as to how instability might arise.

Obviously, these are real problems which cannot be reduced simply. On a positive note however, it might be argued that in the social sciences, unlike in the natural sciences, a real prediction like Huntington's can never be made. The prediction by definition, voiced before the event, will be factored into the equation (assuming perfect information), thereby influencing the outcome and rendering the prediction untrue. This is more than a philosophical assertion. Modernity is defined by the ability of men to control their environment, to not be subject to a pre-determined destiny. In this condition, the utility of Huntington's assertion lies in the main in providing the impetus towards changing the eventual outcome. Factoring his hypothesis into the equation and attempting to define Asia in a constructive fashion, before it is irreversibly fragmented, can be

the best solution both for Asia and for its external partners.

ASEAN is of course a very successful attempt at regional integration. Without detracting from its success it is important to note that ASEAN integration as it is now is not sufficient to deal with the problems of developing Southeast Asia. The status quo is what Michael Leifer (1996) describes as "bricks without straw". The Cambodian crisis and the problems in dealing with it effectively indicate the need for more concrete arrangements within ASEAN. Yet another example is the environmental condition in Indonesia, the illegal burning of forests which could not be tackled quickly either. While the ASEAN spirit kept relations under control in these difficult times, it is not likely that countries like Singapore or Malaysia where the tourist industries and in general daily activity suffered significantly from the "Haze" will want to deal with the situation as passively in coming years. The failed attempt to set up an Asian bailout fund during the crisis by Malaysia and Japan and instead the gaining of consensus only towards the Manila Framework which emphasised the IMF's role, serves as yet another example of the same problem. Anwar Ibrahim during the Cambodian crisis and more recently, Thai Foreign Minister Surin Pitsuwan have suggested that perhaps re-evaluation is necessary with regard to the ASEAN maxim of non-interference in a country's internal affairs. Perhaps "flexible engagement" (Far Eastern Economic Review, 6th August, 1998, p.24) is a step in the right direction for a region which will not be able to get by solely on pleasantries in the new order.

While these issues may seem to be a diversion from the core issue of Europe-Asia relations, they are nevertheless related. As mentioned earlier, an

integrated Asia, one that is able to get beyond its differences will be able to interact more equally and effectively with the European bloc. Second, an integrated Asia, capable of resolving its regional problems quickly and efficiently will make the region more attractive for European economic actors.

9. Conclusions

This paper has perhaps raised more questions than it has answered. It has brought to the fore, some of the central views that are currently expressed by European politicians, lobbyists, academics and business, (particularly in Western Europe), with regard to Asia. These views as the preceding pages have shown are sometimes controversial. But true to the European intellectual tradition, such views often find their most ardent critics within Europe itself. European views on Asia are therefore in a state of flux, of redefinition and of great uncertainty. Asia looks upon itself in the same way and it will take some time even for Asia to understand itself, only after which Europe can be expected to. The period of 'Orientalism' where as Edward Said writes, the Orient understood itself through the eyes of the West, can no longer be true in modern Asia. There is however some difference between the uncertainty of this period and that of other similar periods in history. In the constructive spirit that is the fin de siecle of modernity, many in Asia have been quick to realise that Asia must change. But how should it change to engage Europe effectively?

This paper exposes some of the issues that need to be considered by Asia in relation to how Europe views this part of the world. The regional and the global are dubiously related. Undeniably, introspection which often

accompanies regionalisation, makes the rest of the world secondary, almost like the concentric ancient Chinese view of world order. Where there is interest beyond Europe, Asia is one of the many areas competing for European attention. Undoubtedly, and at the moment especially, Asia does offer many advantages in terms of somewhat stable polities, efficient or at least plentiful labour and huge markets. But as Marx noted, the capitalist world is marked by the capacity for “all that is solid to melt into air”, due to the rapidity of change.

On a positive note, the financial crisis could lead to significant global convergence in some areas, i.e. intellectual property rights, deregulation, less corruption and in a more distant future, democracy. This however, is likely to be a long and arduous process, with uncertain outcomes. The only certain impact has been the realisation in many countries hard hit by the crisis, of the myth of infallible Asian values. The capacity for change and the ability to communicate globally, as many of the political elite at least now probably realise, is the most necessary condition in the modern world.

Consequently, Asia needs to do the following: It needs to build a framework which can manage change within and beyond Asia, through effective communication. It must take the process of regionalism, in AFTA and other possible regional integration measures very seriously. Though severe problems exist within Asia and there are divisions, developing a community of nations, bound not only economically, but in terms of a core set of values, is not a matter of choice in a world of “bloc-think”. As the recent currency crisis suggests, no one is necessarily going to rescue the region from the outside. The era of superpowers and of Cold War welfare is over.

Having said that is not to preclude Asia's interaction and dependence on the outside world. Indeed, the discussion of this paper which has examined Europe-Asia relations and its problems, has only served implicitly, to emphasise the importance of diversifying Asia's other ties. Two points are relevant here. Thus far, Asia has been at the receiving end of the international economy, receiving aid, receiving investment etc. But Asia's status is at the threshold of change. There seems to be reluctance in many Asian countries (Japan excluded), with the potential to act, to do so. Taking the initiative in investment in emerging markets like Africa, playing a more pro-active role in international institutions like the UN etc. is likely to change the global perception of Asia as a continent of recipients and improve Asia's standing in inter-regional ties.

Second, whilst reaching out to new partners in Latin America or Africa, it is critical that Asia sustains U.S. interest in the region. At the beginning of this paper, it was noted that U.S. hegemony was one of the reasons inducing closer ties between Europe and Asia. While the need exists, it must be weighted amongst the various priorities that Europe has. Its rather mixed feelings towards Asia would perhaps achieve greater clarity if the US remained involved. Being one of the only superpower's main priorities would as it has done, establish Asia as a significant player in the global arena. Second, continued US involvement would create and sustain the need for closer Europe-Asia relations to maintain the balance as mentioned at the onset of this paper. This makes the significant point that international relations in the present era are one of keen balance, of infinite mediation. It is especially in such an

era that the ability to negotiate effectively as mentioned earlier, is imperative.

While Europe-Asia relations is not in a period of crisis, this essay has shown that it does stand at a precarious threshold. What does the future hold? It is interesting to note that the Chinese characters for the word crisis, are denoted by the symbols for 'opportunity' and 'danger'. This paper has argued for opportunity. Asia has the choice to seize the opportunity to develop a comprehensive, coherent and consistent voice that will go a long way, even if not all the way, towards improving the quality of European views on Asia and Europe-Asia relations. Europe must play its part. The presence of such choice, and indeed the very Europe-Asia initiative in the 1990s, bears testimony to the constructive spirit of modernity. Whether Asia and Europe can fully rise to the occasion however, remains to be seen.

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