
UNIT 12 THE EUROPEAN UNION, UNITED STATES, RUSSIA, CHINA AND JAPAN

Structure

- 12.0 Introduction
- 12.1 Objectives
- 12.2 The European Union and the United States
 - 12.2.1 Political Relations
 - 12.2.2 Foreign Policy Cooperation: Convergence and Divergence
 - 12.2.3 Economic Relations
- 12.3 The European Union and Russia
 - 12.3.1 Partnership and Cooperation Agreement
 - 12.3.2 Common Strategy on Russia (1999)
 - 12.3.3 Four Common Spaces (2003)
 - 12.3.4 Political and Security Issues
 - 12.3.5 Trade and Economic Relations
- 12.4 The European Union and China
 - 12.4.1 Political Relations
 - 12.4.2 Sectoral Dialogues
 - 12.4.3 Trade and Economic Relations
 - 12.4.4 Conclusion
- 12.5 The European Union and Japan
 - 12.5.1 Political Relations
 - 12.5.2 Trade and Economic Relations
- 12.6 Summary
- 12.7 Exercises
- 12.8 References and Readings

12.0 INTRODUCTION

Over the years, the European Union (EU) has developed a series of external policy **instruments** in order to serve its economic, political and security interests. External instruments are so crafted as to help the European economy grow faster, and to help it to emerge as key global player. One of the key instruments of its external policy is its enlargement and Neighborhood Policy, which primarily aims to develop a common political and economic framework for European states. Market expansion goes beyond Europe, thus growing ties with China and Japan. The EU has developed a wide range of contractual relations and forged a strategic partnership with China, Japan, Russia and the United States.

The European Union's external policy has three important elements, viz. economic integration, political cooperation and value integration (promotion of democracy, human rights and the growth of civil society, rule of law and negotiated settlement of **disputes**, etc.). These three elements are major building blocks of its relationship with the United States, Russia, China and Japan. In this unit we will discuss these.

12.1 OBJECTIVES

After reading this unit, you will be able to understand:

- European Unions relations with the United States in the context of political, foreign policy and economic cooperation;
- European Unions relations with Russia with special reference to cooperation agreement, common strategy, security and economic issues;
- European Unions relations with China particularly political and trade and economic; and
- European Unions political and Trade and economic relations with Japan.

12.2 THE EUROPEAN UNION AND THE UNITED STATES

EU-US relations have a fairly long history of mutual cooperation, common political understanding, common diplomatic initiatives and close socio-cultural ties among the peoples. The United States has diplomatic relations with the EU since 1953.

12.2.1 Political Relations

The Transatlantic Declaration of November 1990 formalized and strengthened the contacts of the United States with the then European Community. The Declaration also led to the launch of annual summits.

The New Transatlantic Agenda (NTA) (3 December 1995) provided for joint action in four major areas, viz. (1) promotion of peace and stability, democracy and development around the world; (2) responding to global challenges; (3) contributing to the expansion of world trade and closer economic relations; and (4) building bridges across the Atlantic.

Subsequently, within the framework of NTA two new treaties were concluded. Under the Transatlantic Economic Partnership (TEP) in May 1998, the two sides concluded agreements to "remove technical barriers to trade by mutual recognition of conformity assessment, and to work together on customs procedure". The new economic initiatives also covered areas like intellectual property rights and a regulatory dialogue on financial markets. The EU-US initiative to enhance transatlantic economic integration and cooperation was launched in June 2005, to enhance cooperation on a broad spectrum of areas with a view to promoting further economic integration across the Atlantic and maximizing the potential for economic growth.

12.2.2 Foreign Policy Cooperation: Convergence and Divergence

Foreign policy cooperation between the United States and the European Union is best summed up by the President of the European Commission, Jose Manuel Barroso at Georgetown University, on 9 February 2006 in the following words: "Europe needs the US and the US needs Europe. When we speak with a common voice, no challenge is too great. When we speak with a common voice, we are truly an indispensable partnership." The underlying message is that together they can become global leaders in true sense of the term. They share a common threat perception and strategic interests on many issues like combating terrorism and the preventing the proliferation of Weapons of Mass Destruction. The EU has worked alongside the United States in providing humanitarian and emergency aid, including reconstruction efforts in the Balkans. They are the principal providers of development aid and reconstruction assistance to Afghanistan in order to consolidate a fragile democratic regime. The EU and USA have been closely coordinating with each other to support the democratization process in Egypt and Lebanon. "As a member of the international quartet (with the USA, the United Nations and Russia) that drafted the Middle East roadmap, the EU is directly engaged, in efforts to end the conflict between Israel and the Palestinians. The EU is the leading donor to the peace and to Palestinian preparations for statehood, as well as Israel's biggest trading partner."

The United States and the EU are the collectively coordinating the processes of peace and economic integration in the African continent. Above all, NATO provides the EU "ready access" to the collective assets and capabilities of the Alliance, for cooperation in which the Alliance as a whole is not engaged militarily.

There are many issues **an** which the EU differs with the United States like the International Criminal Court and climate change. On climate change, while the EU has accepted the Kyoto Protocol the US has rejected it. The US has also shown reluctance to participate actively in discussions under the UN Framework Convention on Climate Change, and refused to ratify the Biodiversity and Biosafety Protocol. Despite differences, the EU and the US are working together on the development of hydrogen and fusion energy.

Economic integration is backed by the EU and USA sharing common political ideologies, viz. democratic pluralism, rule of law, freedom of expression, faith and belief, judicial independence, respect for human rights and rights of ethnic minorities, free market economy, and state negotiated social development. The threat of terrorism has further strengthened their ties. After the tragic events of 9 September 2001, the EU and the US have intensified cooperation in countering terrorism. They have concluded an extradition treaty and a treaty for the security of transatlantic air and sea transportation.

12.2.3 Economic Relations

The EU and the United States together account for almost 40 per cent of world trade. They are the major trading partners in the world. The volume of trade in goods and services amounted to over Euro 627 billion in 2004. This figure is considerably higher than the EU's trade with China (Euro 225.2 billion), Japan (Euro 144.5 billion), and Russia (Euro 177.6 billion). In 2005, exports of goods from the EU-25 to the United States amounted to Euro 250 billion, while imports from the USA amounted to Euro 162.7 billion.

The European Union and the United States are each other's most important source of foreign direct investment. In 2004, the EU's FDI in the United States amounted to about Euro 702.9 billion, while the United States had Euro 802 billion of investment stocks in the EU. Thus, the investment of the EU and the United States in each other adds up to a total of Euro 1.5 trillion, generating employment for about 12 million to 14 million workers. (Source: "The EU's relations with the United States of America: Economic Relations", http://ec.europa.eu/comm/external_relations/us/economic_relations/index.htm.)

In 1995, the EU and the U.S. launched the **Transatlantic Business Dialogue (TABD)**. Being a business driven process, it currently focuses on six priority issues, viz. regulatory cooperation, intellectual property rights, capital markets, trade and security, **innovation** and the Doha round of the World Trade Organization (WTO).

Despite, the large scale of interdependence between the European Union and the United States it does not mean that they do not have trade disputes. Their disputes are mainly because they are not only collaborators but also competitors on the global market place. Trade disputes also arise because of their different regulatory systems and approaches. Differences persist over the regulation of hormones and the GMD issues, and the subsidization of large civil aircraft industries. Also while, the EU seeks to resolve trade issues within the World Trade Organization through the dispute settlement mechanism.

12.3 THE EUROPEAN UNION AND RUSSIA

During the Cold War era, formal relations between the European Community and the Soviet Union were minimal. Moscow tended to view the Community as little more than an economic appendage of the US-led Western alliances. The Soviet Union vehemently opposed the signing of the Treaty of Rome (1957) as it was perceived to be a counterweight to Moscow. During the 1960s, the Soviet Union sought to establish closer political and economic relations with the European Community. **Mikhail Gorbachev's glasnost and perestroika** led to closer relations between the EC and the USSR.

The European Union's relationship with Russia especially in the post-Cold War era and the fragmentation of the former USSR needs to be considered within the overall context of EU's neighbourhood and enlargement policies. Cooperation is extended to neighbouring countries on the basis of reciprocity of interests and identity. This includes supporting economic reform measures of neighbouring states as well as political reform aimed at the establishment of a democratic regime, respecting human rights of its people. The basic objective of EU's enlargement policy was to foster stability and prosperity in the accession countries and to avoid the creation of new dividing lines with Russia.

12.3.1 Partnership and Cooperation Agreement

After its disintegration in 1991, Russia confronted an unprecedented economic and financial crisis. The cornerstone of EU-Russia relations is the Partnership and Cooperation Agreement (PCA), which was signed in June 1994. The entry into force of the PCA was delayed until December 1997 because of EU concerns with the first war in Chechnya (1994-1996). The PCA was founded on shared principles and objectives such as: (a) the promotion of international peace and security; (b) support for democratic norms and for political and economic freedoms; (c) creation of a spirit of equality and partnership aimed at strengthening political, commercial, economic and cultural ties; (d) and eventual establishment of a EU–Russia free trade area.

The PCA covers a wide range of policy areas including political dialogue; trade in goods and services; business and investment; financial and legislative cooperation; science and technology; education and training; energy, nuclear and space cooperation; environment, transport; cultural; and cooperation on the prevention of illegal activities." (Source: http://ec.europa.eu/comrn/external_relations/Russia/)

The PCA also established institutional frameworks for regular exchanges and visits like a Permanent Partnership Council at ministerial level, biannual summits of Heads of State/Heads of Government to provide strategic direction for further development of EU–Russia relations, parliamentary cooperation committee on co-sharing chairmanship basis, besides regular interaction among political executives and directors.

12.3.2 Common Strategy on Russia (1999)

The European Union adopted the Common Strategy on Russia (CSR) (1999), which sought to strengthen bilateral relations on the basis of the Partnership and Cooperation Agreement. The principal objectives of the CSR were the consolidation of democracy; rule of law and public institutions in Russia; integration of Russia into a common European economic and social space; and addressing common challenges such as the environment, nuclear safety and the fight against crime.

The Common Strategy for Russia led to submission of the "Medium-Term Strategy for the Development of Relations between the Russian Federation and the EU (2000-2010)" by President Vladimir Putin to Brussels in 1999. The Russian document stressed Russia's autonomy and reiterated its refusal to allow the European Union to interfere in Russian internal affairs.

Since 2000, two issues have been the central focus of the EU-Russian strategic partnership, viz. the launch of an energy dialogue and exploration of possibilities for closer cooperation in the field of security and defence. The energy dialogue was based on the recognition that trade in energy is vital for both, that the European demand for energy would increase over the next 25 years and that the Russian energy sector required reforms and European investment. The Russian vision of a partnership with the EU includes the promotion of pan-European security linkages based on the capabilities of the Europeans themselves. The European Union has sought to use political dialogue to influence Russian policy towards the conflict in Moldova and the South Caucasus.

12.3.3 Four Common Spaces (2003)

At the St. Petersburg summit (May 2003), the European Union and Russia agreed to create four common spaces for further strengthening of their growing political, economic and security cooperation. They are as follows:

- 1) The *common economic space* primarily aims at the creation of an integrated market between EU and Russia through regulatory convergence and cooperation on environment and energy. All activities undertaken thereunder are expected to boost investment and trade and to promote pan-European networks of "transport (e.g. motorways, rail links, etc.), and telecommunications.
- 2) The *common space on freedom, security and justice* intended to facilitate effective judicial and police cooperation to cope up with the common challenges like terrorism, cross-border crime such as trafficking in human beings and drugs.

- 3) *The common space on external security* aiming to enhance cooperation on foreign policy and security and resolution of international and regional conflicts within the framework of the United Nations, the Organization for Security and Cooperation in Europe (OSCE) and the Council of Europe. This space sought to devise security cooperation includes conflict prevention, crisis management, and post-conflict reconstruction.
- 4) *The common space on research, educational and cultural cooperation*, particularly through exchange programmes. This space is expected to enhance interactive economic and cultural ties on the people-to-people basis.

12.3.4 Political and Security Issues

Russia was concerned about the eastward enlargement in May 2004 when ten Central and East European states were admitted to the European Union and that of the North Atlantic Treaty Organization. Enlargement brought the Union much closer to the Russian homeland, with which Russia now shared a common border.

In the field of conflict prevention and post-conflict reconstruction, the European Union seeks to protect human rights in Chechnya, democratization of Belarus, peaceful and political resolution of conflicts in the southern Caucasus (**Nagorno-Karabakh**; South Ossetia, **Abkhazia**). In the area of nuclear weapons, EU efforts are concentrated on the "conversion of earlier military installations to civil production, and destruction of weapon grade plutonium". Similarly in the area of chemical weapons, EU seeks Russia to **de-mine** its ammunitions within the framework of the Common Foreign and Security Policy (CFSP).

The Northern Dimension Initiative is another important policy framework of cooperation between the EU and Russia. Developed in June 2000, it was expected to enhance coordination and complementarity of EU and Member states' programmes in northern Europe, the Baltic States and Russia. The areas of cooperation include environment and reactor safety, fight against international crime, public health, and the establishment of an information society.

The Kaliningrad Region is another problem between the EU and Russia. The Kaliningrad enclave, which is separated from the rest of Russia by the **territories** of Lithuania and Poland. Both agree on key issues like the movement of persons and goods, border crossing under control demarcation, custom cooperation to deal with illegal activities, the promotion of regional development by the development of special economic zones, energy supplies, infrastructure, etc.

Russia presents the European Union with a major challenge. The EU cannot and will not offer membership of the EU to Russia, which for its part, is not interested in membership either at present.

12.3.5 Trade and Economic Relations

EU is Russia's main trading partner accounting for one third of its export and import. **While** trade in **mineral** fuel accounts for about 60 per cent of EU imports, machinery and transport equipment represent about 40 per cent of EU exports. One also finds huge dependence of EU on Russian energy, particularly on the supply of **natural gas** to EU. Energy appears to be the principal element of EU–Russian trade. EU economic aid to Russia is programmed through TACIS, which encourages private investment, banking and financial reforms covering taxation, securities, markets, accounting, audit and insurance.

During the period 1996-1999, Russia had received around BUR 520 million of bilateral financial assistance from the member states of EU. Bilateral assistance follows a **regional** approach. While Finland, Sweden and Denmark have focused on Kaliningrad and northwest Russia, and on sectors like environment, transport and telecommunication; British, French and German assistance has concentrated upon social sectors. On the other hand, the European Bank for Reconstruction and Development (EBRD) supports Russia in the "creation of a sound financial sector, small and medium – sized enterprises, infrastructure development, large enterprise restructuring etc." The total investment leveraged (including bilateral donors and private co-investment) is estimated at around Euro 2.5 billion.

12.4 THE EUROPEAN UNION AND CHINA

EU's China policy is based on the complementarities of interest and mutual engagement in each other's development. Trade and economic considerations are at the heart of building partemership both sectorally and multilaterally. The core objectives of EU's China policy include: "(i) to broaden and deepen political dialogue with China, both bilaterally and on the world stage, through an upgraded political dialogue; (ii) to support China's transition to an open society based upon the rule of law and respect for human rights; (iii) to encourage the integration of China in the world economy through bringing it fully into the world trading system , and supporting the process of economic and social reform that is continuing in China; and (iv) to raise the EU's profile in China." ("The EU's relations with China" at http://ec.europa.eu/comm/external_relations/china/intro/index.htm.)

12.4.1 Political Relations

The European Commission first set out its long-term strategy for EU-China relations in the 1995 Communication "A Long Term Policy for China Europe Relations". Ever since, relations have been pursued under three main headings, viz. political dialogue, including a specific dialogue on human rights; economic and trade relations and the EU-China co-operation programme. This was followed by the 1998 Communication "Building a Comprehensive Partnership with China", the 2001 Communication entitled "EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a More Effective EU Policy" and a policy paper of the European Commission entitled "A Maturing Partnership: Shared Interests and Challenges in EU-China Relations", which was endorsed by the European Council on 13 October 2003. In recent years, sectoral dialogues in over twenty different areas, ranging from environmental protection to science and technology and from industrial policy to education and culture, have also become an integral part of EU-China Relations. In response, China published its first-ever Policy Paper on the European Union on 13 October 2003.

In October 2006, the Commission set out its strategy towards China in the communication "EU-China: Closer Partners, Growing Responsibilities". The communication takes stock of EU-China relations in the context of China's re-emergence as a global economic and political power. It signals the EU's wish to continue and further intensify its comprehensive engagement with China. The Communication pursues a five-pronged strategy that focuses on the support for China's transition towards a plural society, the promotion of sustainable development, the improvement of our trade and economic relations, the strengthening of our bilateral cooperation as well as the fostering of regional and international cooperation. More generally, the Communication stresses that increased responsibilities and expectations should go hand-in-hand with China's stronger influence and position in the world. ("The EU's relations with China" at http://ec.europa.eu/comm/external_relations/china/intro/index.htm.)

A broad EU-China political dialogue was formally established in 1994, through an exchange of letters, in recognition of China's status as an emerging power on the international scene. Subsequently, in April 2002, this dialogue has grown into a regular, structured series of meetings at several levels (EU Troika Foreign Ministers, Political Directors, Heads of Missions, Regional Directors, technical meetings of high officials, etc.). Annual summits between the EU and China began in 1998.

The EU seeks to support and sustain Chinese initiatives towards openness and liberalization, establishment of civil society, and promotion of a framework of governance based on the principles of rule of law. EU's initiatives are directed towards encouragement and full respects of fundamental rights and freedoms in all regions of China; freedom of speech, religion and association, the right to a fair trial and the protection of minorities in all regions of China. The EU will also encourage China to be an active and constructive partner in the Human Rights Council, holding China to the values which the UN embraces, including the International Covenant on Civil and Political Rights. (European Commission, Communication to the Council and the European Parliament, "EU-China: Closer Partners, Growing Responsibilities," COM (2006) 631 final, 24 October 2006, at http://ec.europa.eu/comm/external_relations/china/docs/06-10-24_final_com.pdf.)

The EU and China agree to promote international peace through promotion of multilateralism and structured dialogue on the Middle East, Africa and East Asia. On the conclusion of the ninth EU-China summit held on

9 September 2006, the two sides reiterated their commitment and support "for a fair, just and rules-based multilateral international system with the UN playing a central role." The two sides further expressed their support to reform the UN system in order to enable it to effectively meet the new challenges of threats to international peace and security. They seek resolution of all international conflict including terrorism through UN system.

The EU believes in the emergence of a multipolar world order. However on the crucial issue of Taiwan, the EU follows a foreign policy which it has named as maintenance of Cross Straits peace and stability which *inter alia* includes (1) opposition to any measure which would amount to a unilateral change of the status quo, (2) strong opposition to the use of force, (3) encouragement for pragmatic solutions and confidence building measures, and (4) support for dialogue between all parties, and continuing strong economic and trade links with Taiwan.

The Joint Declaration, issued on the conclusion of the EU-China Summit 2004 seeks compliance with all non-proliferation and disarmament treaties and international instruments. It further highlighted export controls of WMD-related materials, equipment and technologies as well as reducing arms trade in conventional weapons. However, the EU critically underlines the central importance of China on the Iranian nuclear issue.

12.4.2 Sectoral Dialogues

Techno-economic and political cooperation extend further in the crucial sectors of energy, climate change, environment and sustainable development. And their bilateral cooperation in these areas is molded within the structural framework of UN Millennium Development Goals and the WTO's negotiations and resolutions. Mutual capacity (technical and otherwise) building is the rationale of their cooperation both bilaterally and multilaterally. This includes exchange of know-how and economic support as and where required. Besides seeking China's integration into world energy markets and multilateral governance mechanisms, the EU actively cooperates in enhancing China's technical and regulatory expertise including development of zero emission coal technology and framework for sustainable development.

12.4.3 Trade and Economic Relations

Total two-way trade between the European Union and China has increased more than sixty-fold since reforms began in China in 1978. EU-China trade amounted to Euro 210 billion in 2005. The EU has gone from a trade surplus at the beginning of the 1980s to a deficit of Euro 106 billion in 2005, its largest trade deficit with any partner. Overall, China is now the EU's second largest trading partner after the US, and the EU became China's largest trading partner in 2006. In recent years, EU companies have invested considerably in China (annual flows of utilized FDI of around USD 4 billion on average in the last 5 years), bringing stocks of EU FDI to over US \$35 billion.

The European Union regards a stable and growing China to be in the critical interests of the Europe. The European Commission argues that Europe has "a critical interest in China's transition to a stable and open economy. It recognizes that the openness of the EU market to Chinese exports will be a key factor in China's further development. But Europe also stands to benefit from China's growing market for advanced technology, high-value goods and complex services. European consumers will continue to benefit from competitively priced imports from China. The macro-economic benefits of China's export strength for European competitiveness and growth are significant. These gains outweigh the losses suffered in particular areas." ("A Policy Paper on EU-China Trade and Investment: Competition and Partnership," COM(2006) 632 final, 24 October 2006, at http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130791.pdf).

Mutual safeguarding of interests is based on the creation of a level playing field particularly in the areas of competition policy and internal market issues like equal leverage to state-owned and private enterprises, eliminating market fragmentation, etc. Areas of common cooperation include consumer product safety, custom cooperation, energy cooperation, collaboration on global environmental issues such as biodiversity, climate change, waste management, space cooperation, educational visits and exchanges, promotion of information technology and e-commerce, science and technology cooperation, etc.

For sustainable development, the EU emphasizes upon extending support to China in its efforts towards internal reform and economic liberalization, ensuring energy security through reduction in energy demand and "increasing energy efficiency and use of clean renewable energy such as wind, biomass and bio fuels, promoting energy standards and savings through the development and deployment of near zero emission coal technology." Similarly, the EU shares its regulatory expertise with China in the areas of climatic change.

Economic relationships are built on the basis of reciprocal gains and advantages. Of the net volume of China's external trade, EU alone accounts for 19 per cent. On the other hand, "European companies trading in China have brought capital goods, knowledge and technology that have helped China develop its productive capacity. Reciprocally, trade with China helps to promote growth and jobs in Europe through increasing exports, continuing specialization in high value products and services and strengthening the global competitiveness of EU companies." EU exports to China has grown by more than 100 per cent between 2000-2005, much faster than its exports in the rest of the world. As regards the investment pattern, low cost Chinese inputs have made European companies to attain competitive leverage in the world economy and on the other hand European access to 'Made in China' products have greater bearings on Chinese export promotion.

The current strategy for EC co-operation with China is defined in the *Country Strategy Paper 2002-2006 (CSP)* which proposed a concentration of activities in three areas:

- a support for the social and economic reform process to ensure sustainable economic development and the fight against poverty, and China's integration in the world economy, with special emphasis on the implementation of WTO commitments;
- a prevention of environmental degradation, conservation of the natural environment, integration of environmental considerations into other policy areas, actions in favour of an improved balance between environmental protection and social development in the context of rapid economic growth; and
- a support for the transition to an open society based on the rule of law and respect of human rights, through the promotion of good governance and democracy and human rights-related policies.

The indicative financing for co-operation with China under the 2002-2006 CSP amounted to Euro 250 million. ("The EU's relations with China" at http://ec.europa.eu/comm/external_relations/china/intro/index.htm.)

12.4.4 Conclusion

EU-China relationship is based on the complementarities of their domestic needs, and need for critical power balancing at the international level. They seek to progressively deepen their relationships in order to develop a comprehensive strategic partnership. The European Union essentially seeks to support China's internal transition towards market economics, the rule of law and democratic accountability in the expectation of facilitating it to become "a responsible and reliable global player that respects international rules". There are three major problems in the EU-China strategic partnership, viz. lifting of the EU arms embargo, human rights, and grant of a market economy status to China. In recent years, European nations have been increasingly concerned about the loss of jobs because of China's prowess in the manufacturing sector.

12.5 THE EUROPEAN UNION AND JAPAN

Japan is one of the important trade partners of European Union. Both EU and Japan are major economic powers. They look for cordial relations for a better place in the international economy.

12.5.1 Political Relations

EU-Japan relations are based on the framework of the Hague Declaration of 18 July 1991, which sets out the following terms of reference of their political and economic relationships:

- a) negotiated settlement of all international or regional tensions under the aegis of UNO;
- b) establishment of a social political order based on freedom, democracy, the rule of law, human rights and market economy;

- c) reduction in the trade in nuclear and conventional arms;
- d) pursuing co-operation aimed at achieving a sound development of the world economy and trade, particularly in further strengthening the open multilateral trading system, by rejecting protectionism and recourse to unilateral measures and by implementing GATT and OECD principles concerning trade and investment;
- e) equitable access to their respective markets and removing obstacles whether structural or other, impeding the expansion of trade and investment, on the basis of comparable opportunities; and
- f) joining their efforts in meeting transnational challenges, such as the issue of environment, the conservation of resources and energy, terrorism, international crime and drugs and related criminal activity, in particular the laundering of the proceeds of crime.

Progress on the above issues are constantly monitored through regular exchanges of visits and annual summits between the President of the European Council, the President of the European Commission and Japanese Prime Minister, followed by the bi-annual meetings of the foreign ministers and political directors. All these meetings are aimed to facilitate the growth of common understanding and joint policy initiatives and actions on major international and regional issues. Political relations are primarily directed towards growth of the two as major economic powers of the world and consequential growth in their respective international political influence. ("The EU's relations with Japan" at http://ec.europa.eu/comm/external_relations/japan/intro/index.htm.)

The EU and Japan are both major economic powers striving to develop a matching international political influence. There are certainly good opportunities to further develop their political cooperation, for instance working more closely together in international institutions.

12.5.2 Trade and Economic Relations

Japan is the EU's fifth largest export market and the EU is Japan's second largest market. The trade relationship between them is based on the Mutual Recognition Agreement (MRA), which came into force on 1 January 2002. Besides cutting into red tapism, the MRA permits acceptance of conformity assessment aimed primarily towards facilitating mutual market access.

Between 1993 and 2004, Japan's exports to the EU increased by over 40 per cent during the last eight years from Euro 50.1 billion to Euro 73.5 billion, whereas EU exports to Japan increased during the same period from Euro 28.8 billion to Euro 43.1 billion. Trade and economic relations extend to the areas of telecommunications, development aid, and environmental protection, transport issues, etc.

In the past, flows of FDI from EU into Japan were very small compared with Japan's investment in the EU. Nevertheless, over the 1995-1999 period EU FDI flows into Japan picked up, so that the two-way flows were nearly equal. EU investment in Japan has been constantly been increasing since 1999. It has also been a major contributor to increased FDI with Vodaphone's investment of US \$ 11 billion making it the single biggest direct foreign investor in Japanese history. Over the last three years, the EU has become the most important source of FDI to Japan, overtaking the US and vice versa the EU as a whole has remained the most important recipient for Japanese FDI.

12.6 SUMMARY

The European Union's external policy is a mix of political and economic interests. It seeks to forge closer relations with major powers like China, Japan, Russia and the United States in its quest for a multipolar world. The EU is a strong supporter of the strengthening of the World Trade Organization regime and the establishment of a global trading system by the institutionalizing of a rule-based system based on norms. To that end, it seeks to forge strategic partnerships with each of these four major powers. However, each of these strategic partnerships have elements of cooperation and competition.

12.7 EXERCISES

- 1) Discuss the areas of convergence and divergence between the European Union and the United States?
- 2) Critically examine the main features of EU-Russian relations.
- 3) Analyze the basic framework and objectives of EU-China relations.
- 4) Discuss the main features of relations between the European Union and Japan.

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