

Position Paper of European Delegation 2012:

Advice from the young generation

Abstract:

Be aware of diversity! Asia is not a monolithic block and Europeans have to be aware of its diversity. The patchwork of Asia becomes apparent, for example, after a closer look into the debate surrounding intellectual property rights, where substantial differences exist within Asia, within Asian countries, and sometimes even between industries in the same country or tiers therein. Cultural differences in Asia impact negotiations, market development strategies and behaviour in international politics. The lack of univocal appearance is also misleadingly used by Asian countries to gain benefits in international negotiations. Equally, the fable of the ever-growing Asia does not hold up to closer scrutiny, as ,e.g., China's substantial hidden debt and its inflexible, steered politics are potential sources for social unrest and conflict.

Be pragmatic! Teaming up with Asian partners, giving up autonomy, and making oneself a 'systemically relevant' company are the best ways to gain a foothold in Asian markets and gain sustainable profit. When promoting democracy and human rights, Europeans have to focus on good governance, grassroots experiments in democracy, social and economic rights, and improving people's individual quality of life and education. Those factors will, in the long run, lead to free and just societies, though they might not follow the European model one-to-one.

Don't lecture but learn! European companies should pay close attention to Asian consumer needs and develop localised products, which subsequently might also prove successful in home markets. Asian societies often face similar problems to those in Europe. For instance, Japan has one of the oldest societies in the world and Taiwan shows one of the lowest birth rates. We might be able to learn from Asian countries' answers to those problems. Taiwan, for example, has one of the most inclusive and efficient healthcare systems, something European countries aspire to develop.

Work through cooperation! Western multinationals active in Asia should staff Asian and Western colleagues in local teams to create a shared work culture that sustainably bridges the cultural gap between East and West. To promote true mingling and learning from each other during student exchange programmes, concrete steps like the following may help: establishing mentoring programmes and discussion fora, promoting Asian educational programmes conducted in English amongst Europeans, and learning Asian languages. A European Project on Asian Relations, inspired by HPAIR, would further strengthen the exchange of knowledge between Asia and Europe.

Be self-confident! Europeans often sell themselves short and have a tendency to focus too intently on challenges instead of chances. Europe is a uniquely successful experiment that brought peace, prosperity, and cultural diversity to a continent that was war-torn for centuries. It acquired an impressive expertise in peaceful conflict resolution and institution building. In times where Asian countries flex their military muscles over uninhabited islands and visits to national shrines and icons, those experiences might prove useful to Asia, if we offer it humbly.

The European Delegation

Introduction:

This paper is meant to offer advice to European decision makers in business and politics, coming from a young generation of Europeans with interest in and insight into Asia.

We, 'The European Delegation', are a group of ambitious young professionals and advanced students willing to strengthen Europe's appearance in Asia and to help to ensure Europe's future on the global stage. The members of our group all draw from different professional and cultural backgrounds within Europe. In the summer of 2012, we participated in the 2012 Asia conference of the "Harvard Project on Asian and International Relations" (HPAIR) in Taipei, and immersed ourselves in an intense additional programme of discussions with leaders from politics, business, academia, and civil society in Taiwan.

We brought a European voice to HPAIR and our hosts and furthered our knowledge of Asia. Through this project and going forward, we are eager to create trust between young leaders in Europe and Asia, preparing the young generation to tackle the global challenges of the coming decades. We want to do our share to make Europe and Asia partners in world economy, and trusted allies in global politics, who are connected through shared values, interests, respect, and understanding.

1. Be aware of Asian developments, diversity and complexity!

Asia is not the monolithic bloc it is often portrayed as, but a complex fabric of states, societies and cultures, whose developments need to be followed on a granular level.

Often European companies perceive Asia as a constant infringer of **Intellectual Property Rights** (IPR). But on a closer look, one can see that there are wide disparities amongst Asian countries, between different sectors of the economy, and between different product tiers within one sector. Technology-based luxury consumer goods, for example, generally enjoy a greater leeway in the negotiation of joint ventures and protection of IPR. Furthermore, countries like the Republic of China/Taiwan have a Western level of IPR protection. European businesses should take a close look at Asian best practices in manoeuvring this environment and team up with local companies and organizations who share similar interests, but possess more experience in interacting with local authorities. Ultimately, the economic progress in many Asian countries comes with a growing importance of innovative research-based industries and will necessarily lead to stronger emphasis of IPR.

Asian **political and economic systems** range from military juntas to full fledged democracies in the Western sense, and from planned economies to laissez-faire liberalism, respectively. The same holds true for its socio-economic diversity, where extreme poverty and huge wealth are sometimes just one street apart. European actors should make good use of different strengths and weaknesses within the region and accordingly develop differentiated market strategies.

In the field of **international politics** one has to be aware of how Asia's diversity is often (ab)used as a tool of negotiation. The People's Republic of China chooses to see itself as a developing country or a global superpower depending on context and national interest. One example is the current dispute with the EU about fuel taxes for airplanes, in which China

argues that it cannot carry the financial burden while claiming a seat as a global economic superpower in fora like the G20 and the WTO.

An additional example for the importance of a close look at developments is **China's huge hidden debt**, which comes with the economic growth of the region. Hidden debts are those for which the government assumes responsibility in case of default, e.g., shortages in social insurance funds and guarantees for non-performing assets at state-owned banks. These hidden debts increase China's debt-to-GDP-ratio from the official 16.3% to up to 160%. This fact combined with an inflexible steered and centralised economy, which might seem to guarantee stability in the mid-term, provides **potential risk for economic instability and social unrest**. Once the individual's quality of life ceases to improve visibly, the support for heavy-handed political authority might decrease. When making investment decisions or choosing political allies in the region, Europeans should keep this risk in mind and observe early warning signals carefully.

Taking a step back from intra-Asian differences to even greater intra-continental differences, decision makers from Europe often underestimate the impact of **culture** when interacting with their Asian counterparts. The Samurai Bushido style battle tactics, which involve a disguised and slow approach to the enemy before revealing one's full strength, and the Chinese Sun Tzu Ping Fa stratagems are examples of Asian cultural heritages which are mirrored in today's strategies in business and politics. European decision makers should be aware that these cultural imprints impact market entrance strategies, negotiation tactics, as well as the perspective on societal reforms.

2. Be pragmatic and focus on incremental progress!

Many Europeans have an understanding of how the world should be. As a result, they go into the rest of the world with a series of guiding assumptions. Unfortunately for Europe, the rest of the world does not always share this world view. A preoccupation with received European ideals, instead of a realistic and open-minded course, is unlikely to be appreciated in the Eastern hemisphere.

In Europe, business is done first, and good relations follow the successful business deal. This attitude is in stark contrast to that in many Asian countries where successful relationships lead to business. The pragmatist will be aware that working alone is a greater challenge than forming alliances with local partners who might share similar strategic interests. Moreover, in order to work successfully with Asian governments, it is important that businesses portray themselves as an integral cog in the national economic machine and as a driving force for national development. **Sacrificing elements of independence and self-interest** can, paradoxically, lead to better long-term results for business actors in Asia.

An insistence on strict emulation of European political systems is not necessarily the most fruitful approach. Due to various challenges that the democratic rule faces in several Asian societies, any pro-democracy initiatives by Europeans should be country-specific and **well-adjusted to local conditions** and needs. Survey results indicate that it is rather social and economic human rights, and not so much their institutional framework, that is of most concern to the majority of Asians. Therefore, the European approach should become more pragmatic, focused primarily on propagating democracy as a guarantee for **good governance, political transparency, and social equity**. In order to achieve these goals, a

The European Delegation

bottom-up strategy is more appropriate. The focus should be on creating an environment in which democracy on a grassroots level catered to local needs can flourish of its own accord.

Europe should rethink the way democracy in Asia is advertised: We need to pay **more attention to qualitative developments**, which support an organic process of transition towards 'democracy' rather than an unreflected introduction of our own concepts of democracy. We often forget that Europe, too, has presidential and parliamentary, direct and indirect democracies, constitutional and non-constitutional systems, monarchic, commonwealth, state interventionalist and laissez-faire liberal economic traditions.

3. Don't lecture but learn!

In the past decades, Europe had sophisticated technology, efficient administrative processes, and high levels of education, which meant that Europe saw itself as a role model for Asia. When Europeans went to Asia, they mostly went to lecture, not to learn. This attitude needs to change. In more and more segments of industry, Asian companies develop cutting-edge technology. Asian governments adapt Western administrative procedures and are able to advance them substantially, and some Asian universities rank among the best in the world.

We encourage European companies in Asia to explore the realities of life of their customers and listen closely to their needs. By learning from Asian consumers, European companies are able gain new ideas that can help innovate their products for global markets and stay on the competitive edge. It was through observing and listening to their customers that German company BASF discovered that there is a market for mosquito nets to cover families' cows in some parts of Asia. **An eye and ear for how to adapt European products to Asian markets** is an important competitive advantage for European companies, which Asian employees will help them develop. Developing **localised product** not only promises greater success in Asia, those products might even in turn become successful in Europe.

Asians tend to think in longer-term time periods. Some Asian countries, notably China, have demonstrated a **clear long-term vision for their national development** and strategically strengthened the necessary economic sectors. An impressive case study is the rail transportation industry. Following a long-term strategy, the Chinese government has implemented a massive railroad investment programme and through joint ventures obtained state-of-the-art technology Europeans could learn from this precisely defined and decidedly executed approach to shaping a country's development.

Governments in Europe and Asia face similar challenges. Coping with **demographic change** (sometimes, like in Japan, already more advanced than in Europe) and providing affordable **health care** are concerns shared by governments in Asia and Europe. Some Asian governments have developed innovative solutions to these challenges, and Europeans can learn from studying those systems. The health care system of the Republic of China/Taiwan, for example, provides 100 % coverage with associated costs of only 7% of GDP and very high patient satisfaction rates.

4. Work through cooperation!

Since ancient times, people have relied on unity and cooperation to advance common interests.

The European Delegation

Neither the Western nor the Asian approach alone will be sufficient for the long-term success of a Western multinational in Asia. Competition between two cultures or the perceived need by one person to adapt to a foreign culture creates tension. We recommend a **merging of Western and Asian colleagues in local teams** to create a shared 'third culture' work environment to which everyone can contribute and with which everyone can identify to some extent. Asians and Europeans with educational or work experience in the respective other culture can act as important integrators in the early stages of a mixed team.

An important facilitator for the rapprochement of peoples in Europe have been **student exchanges**, e.g., in establishing the Franco-German friendship. With regards to European-Asian relations, student exchange programmes exist at most universities, but much potential for true friendship and mutual understanding between Asians and Europeans remains unfulfilled. We see three main reasons for this situation.

In most student exchange programmes the arriving Asians form closed groups. Host student-run initiatives like a **mentoring program** would encourage more mingling. Secondly, in-depth discussions of sensitive topics like politics or cultural and social differences do not often take place between European and Asian students; organised **discussion groups** and seminars at universities and at a regional or even national level could provide a forum for this. Finally, more barriers exist to participating in an exchange programme in Asia than in more established European or transatlantic exchange programmes. The curricula are not well integrated, Asian languages are not normally taught in European high schools, and less information is passed on from older students because fewer alumni of exchange programs exist. To encourage more Europeans to study in Asia we should **promote Asian programmes conducted in English amongst Europeans**, encourage students to **study an Asian language**, and work towards mutual **accreditation of courses** taken. Our longer-term vision is a well-known, structured exchange programme that provides easy access to a large set of European and Asian universities, similar to the European Erasmus programme.

We believe that there would be great value in a **European-Asian dialogue forum for global problems** targeted at young professionals and academics. Not only would young Asian and European leaders build up mutual trust and understanding, but they would also be trained to take on responsibility for global problems and contribute a constructive perspective to their solution. Similar to HPAIR but hosted in Europe, European politicians and young leaders would have the power to set the agenda and thereby promote European interests.

5. Be self confident!

The good news is: people in Asia are talking about Europe. The bad news: it is about Europe's struggling economies. While booming Asian nations have established themselves as the new engine of economic growth, the Eurozone's troubled economies are being perceived as a threat to global economic recovery. EU leaders continue to fail at restoring market confidence. But even before the financial crisis hit Europe, low economic growth rates as well as rapidly ageing populations have been interpreted as indicators for the demise of European influence and power.

Europe however possesses important strengths. They can be found in its diplomacy and **capability of international cooperation**. The EU is not always understood abroad. It is self-evident that a system that ensures the freedom and safety of about 500 million citizens in 27

The European Delegation

sovereign member states is bound to be complex and difficult to comprehend. After all, the EU is the most highly-developed and widely-effective voluntary intergovernmental organisation in human history. The EU manages to support cultural diversity and national identities, while offering a framework for fair international cooperation between European citizens. Its recipe paved the way to peaceful coexistence between Europeans on their war-torn continent. Since the 1950s, the EU has become both a civilian superpower as well as the largest free-trade block in the world.

In comparison to Europe, the Asian region still seems like a more hostile environment, in which disputes over uninhabited islands spark uproars and military interventions. These heated debates are feeding into growing nationalist sentiments, dividing Asian nations. The growing Chinese military power has raised particular suspicions in Asia, which has increasingly led to a division of the Asian-Pacific region into a Chinese and an American side.

European leaders collaborating with rising Asian nations such as China should not limit themselves to defending a slow economic reformation process at home, but self-confidently advertise the unique and successful experience that is the EU, which ensured peace over six decades. The EU needs to offer its expertise to **support** currently ineffective but in the long run important **international organisations** like ASEAN. Thinking more long-term, the addressing of global challenges like climate change or nuclear disarmament will only have a chance if large international organisations like the EU and ASEAN collaborate. The European integration could be seen as an experiment from which Asian countries can learn and adopt useful lessons for their own region.

Summary:

It is clear that Europe has a lot to offer to Asia, as well as a lot to learn. Preaching to the continent will not help; practical and concrete suggestions for improvements based on our own experience will be much more appreciated. Taking into account the diversity between and within different Asian countries is a crucial first step in this process, and will allow Europeans in both the political and business spheres to treat the continent with due consideration. A successful partnership between Europe and Asia is vital for future global development and will only happen when both sides are willing to concede some pride and adopt a willingness to learn from the other. It is necessary for Europe to recognise its own strengths and consider the positive aspects it can offer to the partnership, so that the two continents can work together as equals.