Asia's New Powers

– The Repercussions for Europe

Discussion paper on the economic, political and cultural impact of the "Pacific Century"

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Content

I. Introduction: The Asian revolution

Within the area delineated by Pakistan in the west, Japan in the east, China in the north and Indonesia in the south, a revolution that has immediate implications for Europe is taking place. The rapid economic upswing on the other side of the Eurasian continent, especially the opening of mass markets in China and India, has already altered the basic parameters of the global economy. The global market share that Asia is gaining is concurrently being lost by others. The growing success of many Asian countries has increased their self-confidence. Their demands that they be accorded a meaningful voice in world politics are growing. In addition to Japan, two major non-European powers, China and India, are making their presence felt on the world stage, powers that consider the US-European dominance of the international system a historical phenomenon of limited duration. Their interests and values tend to contradict those of the West. They, too, are competing for limited resources; they, too, are asserting their right to independent development, cultural influence and self-determined decision-making in the realm of foreign policy.

Many developments in Asia remain incalculable. To what extent current economic growth and the attendant increase in power will continue cannot be known. The consequences of rapid growth for Asia's social systems and environment remain to be seen. And the numerous rivalries between countries could overshadow, if not even postpone the "Asian century".

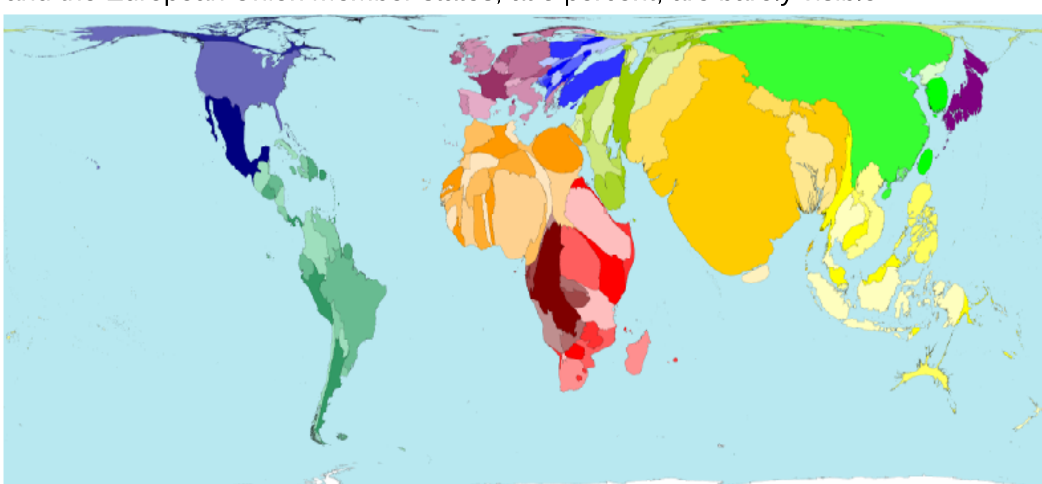
Despite these question marks, it cannot be denied that Asia's significance is increasing already today. Asia's attitudes and priorities will move more into the foreground, while the political, economic and cultural influence of the Western world will suffer a relative decline. This challenge can no longer be apprehended through a Eurocentric point of view. In order to expand this view, the most important trends fueling Asia's development must be subjected to an examination and diverse strategies for Europe must be formulated.

II. Economic trends

Asia's growing economic importance is not an anomaly, rather the return to the pre-colonial state of affairs. Not only at the beginning of the modern age, but also until the 19th century did Asia generate more of the globe's industrial production than both Europe and the United States combined. Since the end of colonial times and ideological fetters that had been in place during the Cold War were cast aside, Asian nations have been in a position to return to the international stage – and to take advantage of both their demographics and their desire to catch up.

1. Demographics

More than 3 billion people live in Asia today. More than 75 percent reside in China and India, with their populations of 1.3 billion and 1.1 billion, respectively. Their statistical dominance over the other nations of the world will only increase in the future. According to estimates made by the United Nations in 2004, India will surpass its neighbor demographically in the coming decades, growing to a population of 1.6 billion in 2050 compared to China's 1.4 billion. Overall, Asia will be home to more than half of the global population. At the same time, the population of the United States – thanks to its pro-immigration policies – will increase to 395 million inhabitants. Europe, in contrast, is set to shrink, from a current 730 to approximately 650 million inhabitants. The accompanying graphic shows the realities in 2050: It depicts each nation according to its share of global population, and the European Union member states, at 5 percent, are barely visible.



World Population 2050
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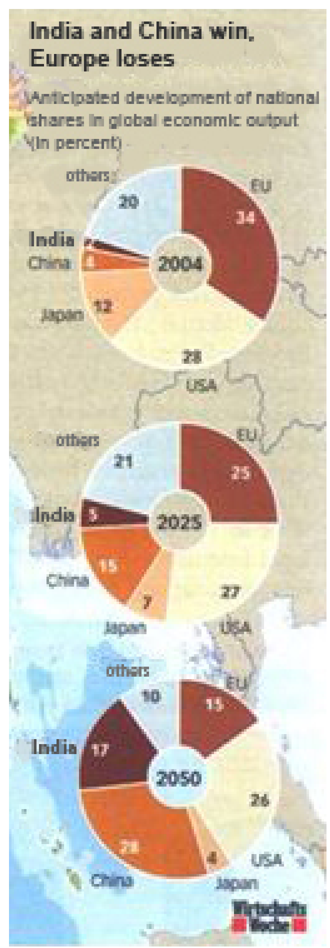
http://www.sasi.group.shef.ac.uk/worldmapper/index.html

That demographics unfold not only sociopolitical data but are also of economic significance can be seen through the changes that are set to occur in the population's average age. While the average age will in fact increase and tend to converge everywhere around the globe, for Asian nations the "age trap" will snap shut later rather than sooner. In coming decades, Indians and Chinese will remain significantly younger than Europeans. For the foreseeable future, Indians, Chinese and Americans will therefore be residing in societies that are more productive and, most likely, more ambitious than those of Europe.

2. Economic growth

Of the 12 national economies that grew the fastest in the last 25 years, 10 are located in Asia, with China and India being the 2 most significant. Since 1980, the Chinese economy has grown by 868 percent, and the Indian economy by 311 percent. The growth of the US economy, at 118 percent, and the German economy, at 56 percent, seem modest in comparison. China is now Asia's largest exporter and, in terms of Gross Domestic Product, has even surpassed France to become the globe's fourth largest economy. It will only be a few years before it overtakes Germany (third place) and Japan (second place). Leading economists at the US investment bank Goldman Sachs even consider it possible that China's GDP could exceed that of the United States by 2035, many years earlier than expected. Within the same timeframe, India could potentially outpace Japan to become the world's third largest economy.



Currently, China and India only account for 6 percent of global Gross National Product (GNP). Even if that share climbs to 19 percent when adjusted to account for relative purchasing power, it is hardly a cause for concern. Yet according to Goldman Sachs, in 20 years the shares of global GNP ascribed to Europe and the United States will have fallen from one-third to one-quarter each. At the same time, it is estimated that China and India will have tripled their shares of world production and will have economies that are almost as large as those in Europe and the United States. By 2050 a wholly new scenario will have established itself, with China having the largest single share of global GNP. If Asia is not beset with strife or outright warfare, India, China and Japan will, four decades from now, be producing half of the globe's economic output.

The People's Republic of China is the only country in the world that understates its economic growth in order to prevent foreign investors from becoming alarmed at the prospect of economic overheating. Yet the growth rates of Asia's other countries are also impressive. With the exception of highly developed Japan and a few smaller "failed states," almost all countries in the region evince stable growth rates of over 5 percent; many, such as India and Vietnam, have rates that are considerably higher. The "Asian crisis" of the late 1990s showed that, politically and economically, most Asian nations are able to respond effectively to setbacks, which could feasibly occur at any time. Asian specialists point out in this context that demographic and economic background conditions are supported by a host of "soft" factors, which cannot be measured. In many parts of continent, for example, a sense of dynamism has made itself felt, a natural characteristic of societies that are in the process of recreating each other. Many Asians seem more willing to change and to endure hardship than Europeans, who have now experienced decades of prosperity. Drastic reforms such as the doubling of fuel prices (in Indonesia), the sudden introduction of a 10-percent value added tax (in India) and a considerable reduction in personal freedoms as the result of measures to combat terrorism are all accepted without undue complaint. The acceptance of short-term, painful developments can be ascribed, not least, to the wide-scale belief that things are headed in the right direction. According to a survey carried out in May 2005 as part of the Pew Global Attitudes Project, some 75 percent of all Chinese and Indians are optimistic about their lives and their prospects for the future. Conversely, in almost all European nations the numbers are reversed: 82 percent of Poles, 73 percent of Germans and 71 percent of the French are dissatisfied about the current state of affairs in their country.

3. Specific Challenges

Europe in particular faces the key challenges of offshoring, the loss of innovation-led advantages, the infringement of intellectual property rights and the new financial power of Asia.

a) Offshoring

Labor-intensive production will continue to head eastward in coming decades; even more difficult times are now commencing for the West's blue collar workers. Major corporations find themselves increasingly forced to shift their manufacturing activities to Asian countries, not only because labor costs are lower there, but also because they want to be geographically closer to global growth markets. The same is true for the service sector. Today, India can offer almost every knowledge-based service more effectively and more cheaply than competitors in the West. Indian call centers, which support the customers of Western companies, were only the beginning. The clearly increasing trend toward what Dr. Dieter Ernst from the East-

West center has coined "innovation offshoring" will be even more of a challenge for Europe.

Globally active corporations are leading this development by shifting individual phases of innovation processes to Asia in order to gain access to its sizeable pool of low-cost talent and the innovation potential of leading export economies in the region. As a result, cross-border corporate networks are giving rise to new "global innovation networks" in addition to existing "global production networks." OECD member states are increasingly fearful that innovation offshoring is slowly undermining their economies, especially the research and development (R&D) sector, the most valuable source of economic growth. It is no longer simply a matter of adaptation – in Asia, innovation offshoring is leading to the creation of entirely new products and process chains. In Bangalore, for example, Ferrari is digitally optimizing its Formula 1 motors. The Swedish power plant builder Alstom now has 300 Indian engineers at work there designing "the most environmentally-friendly, next-generation power plant solutions." And Bosch has 3,400 staff developing a range of products, including software, navigations systems and state-of-the-art motor controlling devices. More and more European companies are moving to Asia, not only for reasons of cost-effectiveness, but also because they are unable to find qualified personnel of the same caliber in Europe.

b) Innovation-led advantages

The shift in innovation potential is being actively promoted by many Asian governments who have improved their capacity for innovation through targeted "innovation policies." Primary examples of this are Japan, Taiwan, Singapore and South Korea, which make up the group of "core innovators" and which stand at the top of the value creation chain. Since the 1960s, these countries have used their export-oriented industrial policies to improve conditions in technology-intensive manufacturing industries and in their innovation activities. They have used comprehensive measures, including state subsidies for R&D and major investments in education and training. A comparison of R&D as a proportion of GDP in the year 2003 shows that, on average among OECD members, Japan and South Korea, at some 2.5 percent, are among the leading nations, compared to the EU average of approximately 2 percent.

Within Asia, Japan is still considered the leader in technology, which represents a challenge both for the EU as well as for the United States. Even before the end of the economic crisis of the late 1990s, the Japanese government began to heavily promote innovation-related activities. South Korea is among those countries that have a high share of high-tech exports and has increased its competitiveness by virtue of more and better innovation policies. It should also be noted that South Korea has a relatively small number of scientists, but, nonetheless, has a high level of scientific output when it comes to research. Taiwan's competitiveness is even more pronounced, thanks to its own considerable investments in R&D; more problematic is the quality of its business organizations, since its success rests largely on a limited number of large corporations in the electronics sector.

China and India are only slowly making their way into the group of core innovators. In keeping with its industrial policy, China is directing foreign investment primarily into sectors with a high level of value creation, in particular IT, biotechnology, new materials, chemicals and construction. In general, India's performance when it comes to innovation is still seen as relatively weak, although it has demonstrated spectacular success in select sectors such as biotechnology and IT. More of a problem is its relatively low R&D expenditures and the limited number of patents it registers, despite its considerable pool of well-educated scientists. Both India and China's innovation capabilities are expected to accelerate quickly.

c) Duplication

Asia has established itself as a master of duplication, something that is threatening the existence of more and more Western companies. The activities – which began in the 1980s with low-end toys and continued in the 1990s with luxury consumer goods, CDs and videos – now include highly-complex machines, vehicles and power plants. It is not uncommon for copies to find their way "back" to the global market, where they compete with the originals, which are significantly more expensive without being of significantly better quality.

Above all, those who have done business in China increasingly report of illicit methods. The Chinese use huge contracts to increase the in-house profit expectations of international corporations to the point that managers can only be assured of staying in business if they also win the next round of contract bids. That is when the host nation then increases its demands to an excruciating level: The contract goes only to those who are willing to permit a technology transfer of 100 percent. Chinese industrial spies, who find their way into Western companies, ensure that only the latest blueprints are made available. China's engineers , many of whom have been educated at top-notch universities in China and abroad, continue to develop the technology, regardless of how it has been acquired from the West. This excessive piracy could, however, prove to be to China's disadvantage in the medium term when it comes to enticing foreign firms to invest. Many companies have already used India’s more secure production facilities and legal norms as justification for doing business there.

d) New financial power

Even if investment still flows primarily from West to East, it is clear that Asia’s actors are aware of their growing financial power. The takeover of the European steelmaker Arcelor through the Holland- and London-based Indian steel magnate Lakshmi Mittal is one of the most prominent examples. But in other industries, takeovers are also occurring – with price tags in the billions – that are being led by Asian enterprises. What remains unclear is what the long-term consequences will be, both on the corporate and management cultures of the affected European companies as well as on social standards, if the trend continues. That the United States, however, barred the door when China tried to take over the oil company Unacol shows, that national (security) interests can indeed play a determining role.

Moreover, the considerable accumulation of currency reserves in Asian central banks increases their influence on international capital markets. China alone is theoretically in a position to impact the dollar exchange rate to a significant degree and thus cause financial disruptions on a global scale. Any interest in such activities, however, is undoubtedly limited, since China, like most Asian nations, is already deeply integrated into the global economy and would itself feel the discomfort directly. Yet the dollar reserves remain an indicator of the increasing interdependence between Asia and the West, a state of affairs of which both parties must make productive use.

4. Europe’s opportunities

The continued growth – which, among other consequences, will increasingly turn larger swaths of Asia’s social strata into consumers in coming years – offers European companies the possibility of expanding sales, even if the market “at home” stagnates. Ideally, European companies would increasingly enter into partnerships that are beneficial to both sides. Smaller and midsized industries, in particular, could synergistically meld their top-of-the-line technologies with Asia’s low-cost production and development facilities.

III. Political climate change

For many centuries, Europe and the United States have dominated the international order. Yet the tendencies that Henry Kissinger recently described as “the shift in global power potential to Asia” are undeniable. This summation is based on the realization that both the world's economic and political centers are moving eastward, heralding the "Pacific Century." In a survey carried out on behalf of the Bertelsmann Stiftung on the subject of "World Powers in the 21st Century" and published in June 2006, respondents in both East and West said that they believe the relative power of nation-states within the international order is again shifting. They feel that, following the end of the Cold War, the current phase in which the United States acts as the world's sole superpower will also come to an end in the medium term. The survey's participants believe that, in addition to the United States, the circle of coming world powers will include China and India, with Russia and Brazil potential members and, behind them, the EU and Japan.

Not only do the reactions of the survey's respondents in China and India, as well as in other countries, suggest that these two nations will rise to become the main Asian powers in the medium term; the histories and realpolitik of both also suggest the same.

1. Great powers, old and new

Both countries have dominated their neighborhood for centuries. In the 15th century, at the height of its power, the Chinese system of tribute extended from Central Asia to the Malayan islands and the Indian Ocean, and on to the coast of Africa. The subcontinental kingdom of Ashoka and the Guptas also extended far beyond today's India – as did the foreign-led Indian realms of the Moguls and the British. Even today, the areas bordering China remain marked by Chinese culture, as those neighboring India are Indian.

Fueled by globalization and today's considerable worldwide migration, Asia's sphere of influence is again extending to the rest of the world. Large Indian minorities can be found in a number of regions, including the Arab word, Africa, Australia, Great Britain, Canada and, especially, the United States – where they are bumping up against more and more Chinese. In almost every part of the globe, Chinese and Indian minorities are bridge builders who reconnect with the homeland, a trend that can increasingly be seen on the European continent.

All Asian countries cultivate a strong national identity, something that until now has only made itself felt on a regional basis – in China's conflicts with Taiwan and Japan, for example, as well as in the tensions between India and Pakistan over Kashmir – although this could change. Such identities feed the desire to be seen as a great power, which helps explain why Beijing and Delhi, despite paying lip service to the idea of multiculturalism, are quite adept at traditional power politics, which places national interests above all else.

2. Asian great-power politics

The rise of China and India is altering the political map, both within and outside of Asia.

Within the region, the dominant position of the United States is being challenged primarily by Beijing, something that is cause for concern not only in Washington, but in Asia's capitals as well. A strategic power struggle has begun in Asia, and its major actors are the United States, China and India, while Russia, a nuclear power rich in natural resources, also plays a role.

Asia has become the staging ground for classic power and balance-of-power politics, the kind that Europe has not known since the middle of the 20th century. The country that probably benefits most from this state of affairs is India, who is seen by many, above all by the United States, as the only counterweight to China in the region. And Delhi is cashing in on this expectation, without actually taking on the role of counterweight. Its economy is still too small to create the necessary dependencies, and it does not have a permanent seat on the UN Security Council. However, India does not allow itself to take on a position that is opposing China - the benefits of closer relations with its booming neighbor are too attractive. Instead, India is a committed player in the Asian context and is working to advance regional issues, first and foremost in the area of economics and, most recently, through the East Asian Community – the first cross-regional initiative to take place without the participation of the United States and, thus, an appropriate venue, despite any intraregional rivalries, for nurturing the fledgling "Asian identity."

India and China constantly outgrow their current positions as regional players: Not only their nuclear arsenals and rocket systems, but their naval fleets and, not least, their manpower are all of requisite size for global engagement. Politically, they are as well on the way to transforming themselves from regional to global powers. Proof of this is the war in Iraq, which Washington could only begin once Beijing signaled it was willing to remain silent. In the two most dangerous crises of recent years – those surrounding the nuclear weapons programs in Iran and North Korea – China's position is key. In turn, after decades of remaining aloof from the international concept of nonproliferation, India has now been recognized as a nuclear power by Washington, contrary to all international legal norms.

3. Specific Challenges

The change in political climate is having three major impacts on Europe: through an increasing competition for resources, through the dangers associated with a renewed arms race and regional weaknesses, and through the change in the international rulebook.

a) The competition for resources

The rapidly growing need for energy, particularly in China and India, is already being felt in the form of increasing pressure on the oil and gas markets. Industry experts largely ascribe today's high energy prices to the demand originating in Asia. While European demand will rise this year by less than 1 percent, China's needs are growing between 7 and 17 percent each year. According to estimates by the International Energy Agency, India's energy consumption will rise by at least 30 percent in the coming 5 years. Around the globe, a new "great game" has commenced, in which the new Asian powers are playing an ever larger role. Both Beijing and Delhi consider themselves disadvantaged in the Western energy markets, which they perceive as being largely dominated by the United States, and are developing Asian partnerships – in Syria, Burma and Iran, among other locations – in response. This is giving rise to new strategic relationships, between China and the resource-rich nations of Africa and Latin America, for example, as well as new political conflicts. China and India are wooing autocratic states, while the West, concerned about their infringement of political or human rights, is seeking to either to alter their behavior or to isolate them.

b) The dangers of an arms race and intra-Asian weaknesses

Even if, given their considerable mutual dependencies, no immediate threat of war between the major (nuclear) powers exists, the ongoing conflicts over Taiwan, Korea and Kashmir remain potentially explosive. On-the-ground nationalism brings with it the constant threat of irrational behavior. What's more, the rivalries are being accompanied by an arms race in all military and technological areas. Although the Asian arms industry is not at top level yet (apart from satellite and space research), an arms race which has already been described as a "second nuclear age" has started in the region. As the Stockholm International Peace Research Institute announced in June, Asia's military expenditures in the 10 years between 1995 and 2004 rose by 28.5 percent on average. Again, the major drivers behind this growth were China and India, whose military budgets increased in the same decade by 170 percent and 72 percent, respectively. In contrast, the officially reported military outlays of the United States rose in the same period by 34.4 percent; in Western

Europe, where expenditures actually fell for the first time in 2005, the figure was only 4.8 percent. Japan, in particular, is watching China's arms increases with concern; it is strengthening its military and, despite its painful experiences in Hiroshima and Nagasaki, is officially considering the acquisition of nuclear weapons for the first time. As a result, the alarm is increasingly being sounded about the dangers of an arms race between China and Japan, especially given their competing territorial claims in the resource-rich East China Sea.

An arms race also increases the danger of a proliferation of weapons of mass destruction. It is threatening enough that countries such as Iran and North Korea benefit from the black market in nuclear technology; but this is nothing compared to unimaginable global consequences should Islamicist terrorist organizations manage to acquire atomic weapons. The machinations of the Pakistani nuclear arms dealer Abdul Qadir Khan, which have recently come to light at least in part, have provided a glimpse of the possible horrors of such a scenario.

The breakneck social and economic changes taking place in Asia also bring with them great potential for inner-state conflict. Wide-scale strikes in China and waves of suicides among impoverished Indian farmers intimate the social dynamite inherent in such metamorphoses. Crises that slow growth could well lead to a situation where social disparities are no longer tolerated and give rise to massive unrest.

Unclear, too, is the impact unbridled progress might have on the environment. Even if awareness of the attendant risks has become evident in many Asian countries and governments have begun budgeting resources for environmental protection, it remains questionable if the high levels of degradation impacting the water, soil, air and climate can be adequately offset. According to the World Watch Institute, greenhouse gases have risen by 90 percent in India alone in the past 15 years; what's more, they are expected to skyrocket within the next 30 years from a current 1 billion to 6 billion tons. Even if awareness of the attendant risks has become evident in many Asian countries and governments have begun budgeting resources for environmental protection, it remains questionable if the high levels of degradation impacting the water, soil, air and climate can be adequately offset. According to the World Watch Institute, greenhouse gases have risen by 90 percent in India alone in the past 15 years; what's more, they are expected to skyrocket within the next 30 years from a current 1 billion to 6 billion tons.

c) A change in the international rulebook

The renaissance of national power politics is undermining efforts to structure and codify international relations along multilateral lines. China and India have the same utilitarian perspective when it comes to international agreements and organizations that the United States does: They are supported when they are useful for advancing one's own interests and ignored when they prove a hindrance. India, for example, has refused to adhere to any of the UN resolutions on Kashmir. What's more, along with China and the United States it has boycotted empowerment of the International Criminal Court and diluted the Kyoto Protocol for reducing greenhouse gases by introducing alternative regional initiatives. A "bilateralization" of world politics has become evident instead. While Europe continues to emphasize the authority of the World Trade Organization, the United States and many Asian states are negotiating bilateral free-trade agreements and, thus, are ensuring themselves national advantages – at the expense of European businesses. Absent a security structure similar to the one that exists in the Atlantic region, Asia lacks effective tools for conflict resolution and management. Institutionalized forums such as the APEC summit or ARF regional gatherings are only of limited use. Current crises are addressed by ad hoc bodies (six-nation talks on North Korea) or "coalitions of the willing" (following the tsunami 2004/05). The era of organized multilateralism, which Europe has committed itself to, threatens to descend from its zenith and give way to a new period of great powers competing against each other for supremacy, something many believed to be an outmoded concept from a bygone age.

4. Europe's opportunities

For the EU and its member states, the emerging multipolar world order certainly offers more than just disadvantages. Even if Europe's importance declines, it will continue to be seen from all conceivable poles – the United States, China and India, as well as Russia and Brazil – as a constructive, reliable member of the global community, one whose relations with other regions and countries are largely unencumbered by unresolved historical issues. This provides Europe with the freedom to maneuver politically – not least, to forge new coalitions able to develop solutions for pressing global issues. The role of a mediator, however, which the EU has acquired over the course of its history, brings with it the danger of losing sight of Europe's own interests, which would not be completely met through the objective of world peace or the successful promulgation of democracy and human rights.

IV. Cultural impact

Given the heterogeneity and different historical experiences of the Asian continent, it is difficult to speak of an "Asian culture". Nonetheless, the notion of “Asian values” – collectivism, discipline, a respect for the family and a respect for authority, introduced at the beginning of the 1990s by former Singaporean Prime Minister Lee Kuan Yew and former Malaysian Prime Minister Mahathir bin Mohamad to stand in contrast with “Western values” – has proven more enduring than many Europeans might have wanted to believe. Whether “conservative” values will experience a temporary renaissance in Europe by virtue of their popularity in Asia remains questionable, since these Asian values are not necessarily of an enduring nature. To the extent that Asia integrates into the globalized world, its local cultures change and take on unknown characteristics. Economically developed societies such as Japan, South Korea and Singapore demonstrate, for example, that traditional adherence to Confucian ideals can lessen without being replaced by Western concepts.

At the same time, it cannot be denied that Asian influences are becoming increasingly felt in the West. This is true not just of the presence of high-profile artists in the international cultural scene. It is also evident in mass culture. Directors such as Ang Lee or Zhang Yimou are honored at international film festivals; Bollywood, with its more than 800 films a year, is the world’s most prolific dream factory; and elements of Asian lifestyles, such as feng shui, karaoke, manga, sushi and yoga, are now part of everyday life in the West’s urban centers.

The more decisive changes, however, are taking place at a deeper level. As Asia’s actors enter the world stage – in organizations, governments and corporate headquarters – not only will their interests be accorded a greater role, so will their values, languages and cultural preferences. The way that China is promoting its cultural allure, the deftness with which it has defused Western criticism of its human rights policies and Asia’s religious appeal are all outstanding examples of this trend.

1. Soft power, a deficit in cultural trade, global languages

China in particular is currently hard at work, not only increasing its cultural appeal through global events such as the Olympic Games in Beijing in 2008 and the World’s Fair in Shanghai in 2010, but also employing diverse means to convince the world of its peaceful intentions. At the Bertelsmann Stiftung’s International Cultural Forum in Beijing in 2004, the extent to which China would like to shift the deficit in the so-called “cultural trade balance” with Europe and the United States more in its favor was made clear. Strategies for increasing demand for Chinese cultural products and an active language promotion policy have already commenced. The first tools to this end are an increase in exchange programs and the construction of Chinese cultural centers and Confucius Institutes (language centers) in diverse European cities. This language policy is of import, given that Chinese is already spoken by an estimated 1.2 billion people worldwide, markedly more than the 573 million English speakers (of whom 41 percent are not native speakers) and 418 million people who speak Hindi. Given demographic developments, it is assumed that the number of those speaking Chinese will continue to grow and that the language’s importance in the political and economic spheres – in contrast to Hindi, which is at home in English-speaking India – will increase to a greater extent than the demographics alone would suggest. China’s language policies will only increase this trend. Within the next decade the numbers of Non-Chinese speaking Chinese is expected to triple to far more than hundred Million people. It thus hardly comes as a surprise that more and more European schools are offering Mandarin or Cantonese as a foreign language, even if, in contrast to the situation in the United States, this is still the exception.

2. Democracy and human rights

As the 2006 Bertelsmann Transformation Index has shown, the wave of democratization that has taken place over the past 30 years has also infused Asia, even if the transformation there has been uneven. The most advanced countries are the industrialized democracies of Japan, South Korea and Taiwan, although India, Indonesia, Thailand, Bangladesh and the Philippines also uphold democratic standards, albeit with shortcomings. In terms of democracy, Asia’s other nations are either underdeveloped or are ruled by autocratic governments. Of particular note are the insufficient democratic standards, especially in economically successful countries such as Malaysia, Singapore, China and Vietnam. This selective modernization shows that the level of democracy does not necessarily increase with economic success. It is conceivable that Asia will continue to experiment with its own system models that do not meet "Westminster requirements". However, excluding the military dictatorship in Burma and failed states such as Nepal and Afghanistan, Asia’s development is moving more and more in the direction of increased freedoms, pluralism and a renunciation of violence and thus confirms the thesis of "change through trade".

In contrast, the concept of general, inviolable human rights has not yet taken hold in the same way. The most notable example is China, where the mass application of capital punishment continues as the normal state of affairs and where freedom of speech, a free press and the right to assembly remain limited. A human rights clause was, however, introduced into the Chinese constitution in 2004. Yet China has mitigated its national application by making reference to cultural diversity, historical developments and Asian values. According to the official interpretation, all basic rights are accorded by the state, inherently limited due to social considerations and must be weighed against corresponding basic obligations.

In light of this, Europe has been engaged with China in a dialogue on human rights since 1996, under the motto of “cooperation instead of confrontation.” Public pressure is meant to be replaced with constructive dialogue. Since the human rights discussions began, public pressure has undeniably diminished. But whether the dialogue has proven effective remains very much a matter of interpretation. Since the meetings take place behind closed doors and include only a limited number of participants and no representatives from critical NGOs, the dialogue is rather symbolic. In addition, it has no formal objectives. The “war against terror” and China’s recognition as a “strategic partner” have ultimately led – unlike in the past – to human rights being given a lower priority by western governments than economic and strategic interests.

3. Religions

The importance of religion is also two-sided. Asia is not only a hotbed of extremism (with Islamicists in Pakistan and Afghanistan, Hindu nationalists in India and radical Buddhists in Sri Lanka), it is also an example of religious tolerance and peaceful coexistence. Indonesia is home not only to the world’s largest Muslim population, its inhabitants – radical elements notwithstanding – are also undoubtedly the world’s most moderate followers of Islam. Typically, too, as the world’s largest Hindu nation, India is currently being led by Prime Minister Manmohan Singh, a Sikh, President Abdul Kalam, a Muslim, and Sonia Gandhi, a Christian.

To that extent, it is conceivable that Asia might act as a good and as a bad example at the same time. It might teach its occidental partners about getting along peacefully with other cultures and religions, while simultaneously confronting the West with extremism hitherto unknown. Many of Asia’s Muslim communities have been made aware in the past few years that they are currently engaged in a “clash of civilizations” with the Christian West. A number of factors have contributed to this potentially hostile mindset: the interventions in Afghanistan and Iraq, the crisis regarding the Iranian nuclear program and the distress over cartoons depicting Mohammed.

V. The implications for Europe

Asia's rise and the attendant shift from an Atlantic to a Pacific era means that Europe must now adjust to changing global realities.

1. Recognizing the new multipolar world order

Europe's nations are too fixated on themselves and their own history. The horrors of the past wars and genocides and the pride in what has been achieved have limited their vision for developments beyond their own continent. Europe is no longer the center of the world, and the lessons it has learned from its history cannot serve as gospel truth for the rest of the globe. Europe has yet to adequately address the Far East's new economic, political and cultural importance. What's more, given the developing multipolar world order it must extend its transatlantic perspective by a Eurasian perspective and begin acknowledging the globe's new powers along with their worldviews and social systems.

Even if Washington will remain – and should remain – the Old World's most important partner for a long time to come, Europe must pay more attention to and increase its engagement with the Far East's rising stars, while deepening its knowledge of them. What is needed are interculturally competent think tanks and specialists who closely follow the developments in Asia and introduce them realistically and without prejudice into the current public debate. Similar to the transatlantic relationship, what must be promoted are educational programs, teaching positions at institutes of higher learning and a new generation of politicians willing and able to delve into all things Asian.

2. Consolidating and realizing Europe's interests

Although the image of being the "good guy" of international politics has won Europe a degree of likeability, it has not necessarily increased its influence. Except for its engagement in Afghanistan and in the Indonesian province of Aceh, Europe does not have a presence as a security-policy player in Asia. Although the EU has entered into a "strategic partnership" with India, it was US President George W. Bush who secured a place as one of Delhi's trusted allies by supporting a bilateral nuclear agreement. During the Indian-Pakistani crisis, Europe was absent, and has remained so during the conflict with North Korea. It is barely visible in the competition for new energy sources as well. While Asia's economic importance to Europe is growing in leaps and bounds, Europe's opportunities for exerting influence in Asia are declining.

Europe needs a strategy for giving its interests a greater role on the global stage and for steering the happenings on the “continent of the future” in a direction that also serves its own interests. In Asia, Washington has usually acted in a way that also supported Europe’s interests in the past, but this is no guarantee that this will remain the case. Many of Asia’s nations would accept the EU as a co-player and mediator in regional conflicts if it brought with it the ability and resolve to secure any solutions that are found. At the same time, Europeans must clearly articulate their common values and preferences, not to mention their interests in Asia, instead of vaguely alluding to them as has been the case up until now. What is needed is the willingness to take on political and, when necessary, military responsibility. The expansion of dialogue forums such as ASEM is not sufficient. If Europe wants to remain a recognized international power, it must learn to speak as one on topics other than just security policy. What’s more, the entire framework of European politics – policies impacting everything from labor, education, energy, public finance, research, technology and space programs – must change: Leveling the playing field between Europe’s individual nations should not be the core concern of Europe’s policymakers; instead, they must focus on helping Europe become competitive on a global scale.

Europe is particularly interested in stable conditions in Asia. However, in the long-term, the behavior of countries is only predictable if they function according to a minimum of democratic practices. With all due respect for alternative development paths in Asia, the commitment to foster democracy and human rights is essential for European security policy. However, imposing democracy or human rights from the outside is neither feasible nor promising. Instead of the ritual-like and ultimately fruitless appeals on the part of Europeans to establish democratic standards and to respect international agreements, efforts should continue to promote civil society structures in Asia and to build bridges that bring both sides of the Eurasian continent closer together. Supporting private individuals and private organizations as they actively work to achieve social, cultural and environmental goals increases stability and the peaceful resolution of pressing problems within the region. In the medium term this could provide a boost to democracy in Asia in that the promotion of civic structures increases pressure from within society for more inclusiveness. In addition, robust bridges between Asia and Europe in the civil society arena, in the area of interfaith dialogue for example, could contribute to an increase in mutual understanding and help identify joint solutions for the current and future challenges of European-Asian relations. In the end, an active civil society helps complement the dialogue on human rights between Europe and China in a meaningful way.

Asserting oneself in a multipolar world in a way that is more strongly based on one's own interests does not necessarily mean entering into rivalry with existing or rising power blocs. Many partnerships are waiting to be formed, in particular with democratic nations such as India, Japan, South Korea, Indonesia and Taiwan. The knowledge Europe has gained from its own past experiences is still of interest to countries throughout Asia, and not just its societal and social welfare structures, but its proven tools for promoting integration and resolving conflict as well.

3. Reforming business and society

Given its demographic trends, innovation-related advantages and accumulated investment capital, Asia is increasingly challenging Europe's strategic competitiveness. This challenge must be met with a new competitive dynamism. Asia can no longer be considered the object of development policy efforts, but as a competitor who must be encountered at eye level. In order to keep the pace economically, protectionist tendencies must be resisted and measures to promote free trade expanded. Unfair competition alone must be excluded, as demonstrated in the area of illicit duplication and piracy. In order to foster direct investment over the long term, Europe and ultimately Asia as well have no other choice than to ensure that legal norms and copyright protection throughout Asia reflect international needs. Europe must strategically determine which niches it wants to call its own, niches that Asia's economies would be willing to relinquish in the coming decades. Nonstop innovation will necessarily play a key role in achieving this. Moreover, the Lisbon Agenda, designed to return Europe to the top ranks of technological production and performance, cannot fall by the wayside.

In order to retain existing advantages in key industries and modern technology, more resources must be invested in education and R&D. The ideal of a just society can only be maintained if a belief in performance and the promotion of top talent are again viewed as positive and meaningful concepts. Europe must enter into the global competition for "the brightest and best" for a number of reasons, not least in acknowledgement of demographic realities. Conditions determining how Europeans live, learn and work must once again count among the world's best. That also means more immigration, and in a more structured manner. That is the only way Europe can become an appealing, competitive union of education- and migrant-friendly societies.

The political, business, civil society and cultural arenas are faced with the challenge of expanding their dialogue and increasing their partnerships with Asia. Should Europe continue to think and act along Eurocentric lines, the EU, its member states and their citizens will all continue to be impacted by the Asian Century, but they will have no means to proactively shape it.
