

# ASEM Economic Co-ordinators' Report to SOMTI

## Review of the Economic Pillar

### Our Mandate

During their meeting in September 2002, ASEM Economic Ministers recognised that *“since its inception in 1996, the ASEM Economic Pillar has acted as a vital forum for co-operation on a wide range of economic issues concerning Asia and Europe, including the facilitation of trade and investment flows, and has involved the launch of a number of significant new joint initiatives. As a mutual understanding and a common vision for the continued development and deepening of the partnership between the two regions has evolved, these activities have reached a stage where it becomes appropriate to assess the direction and priorities for our future collaboration together, and to consider ways in which our working methods could be made more efficient and effective.*

*On this occasion, Ministers endorsed the proposal by Senior Officials on Trade and Investment to task Economic Co-ordinators with a review of the current priorities and activities carried out under the ASEM Economic Pillar in order to formulate recommendations for the next EMM.”*

### The Working of the Economic Pillar

ASEM was conceived in 1996 as an informal process of dialogue and co-operation bringing together the fifteen EU Member States and the European Commission, with ten Asian countries (Brunei, China, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam), in order to strengthen the relationship between the two regions, in a spirit of mutual respect and equal partnership.

The first meeting of Economic Ministers took place in September 1997. On this occasion, Ministers agreed to work together to develop priorities, policies and measures for economic co-operation in ASEM and thus maximise inter-regional synergy, based on the following principles:

- *Common commitment to the market economy and to necessary reform;*
- *Closer co-operation and dialogue between government and the business sector, with the business sector as the engine of growth;*
- *Non-discriminatory liberalisation, transparency and open regionalism;*
- *Consistency and compliance with applicable international rules, particularly those of the WTO; and*
- *Mutual respect and equal partnership, with recognition of the economic diversity within and between Asia and Europe.*

Ministers also defined the policy objectives as being:

- *Greater economic interaction between enterprises;*
- *Improvement of the business environment toward increased trade and investment;*
- *Sustained and stable economic growth.*

Since its inception, ASEM, and its Economic Pillar, has evolved into a well established, familiar process, valued by all participants as a unique forum which encourages transparency and increases knowledge and interaction between two regions with significant mutual economic and commercial interests. Currently, *the mandate for the Economic Pillar is recognised to be an informal dialogue with a view to facilitating greater understanding on trade and investment issues.* This dialogue takes place at various levels – businessman, expert, senior official, and ministerial. Participation in ASEM is a voluntary process driven largely by goodwill and, to some extent, by peer pressure.

The existing dialogue continues to be an important and valuable tool. Nevertheless, the current situation is such that ASEM has no overall co-ordinating capacity, no institutional memory and no dedicated resources, whether to help the poorest among us to participate fully or to generate independent or novel contributions to inter-government debate. Greater policy focus, and better processes as proposed in the findings described below will certainly help, but are unlikely to be sufficient on their own.

We recognise that at all levels, the contribution of each ASEM partner is in principle self-financed. We acknowledge that the hosts of ASEM activities also make an individual contribution to ASEM as a whole. At expert level, we welcome the current practice by some ASEM partners to support a fuller involvement of experts and government officials from other ASEM countries, and also to finance meetings in other partner countries with less resources. While it would be inappropriate to institutionalise this range of practices, all ASEM partners appreciate that, to the extent possible and year by year, ASEM players are encouraged, as appropriate, to aim to contribute in such ways.

## **Our Findings**

We have worked both among ourselves and in close co-operation both with ASEM Member Governments and with other interested and knowledgeable parties. We are grateful for all input, both written and less formal.

We set out below our findings. On the basis of SOMTI endorsement, these should be adopted by EMM. Decisions taken during EMM 5 could then take effect without delay.

1. We conclude that the broad mandate and objectives of the Economic Pillar remain appropriate. Our current activities and co-operation are designed to foster our mutual WTO interests and facilitate trade and investment, with the aim of reducing business transaction costs and increasing trade and investment flows between the regions. These goals remain relevant and the dialogue-based approach upon which ASEM is based continues to produce useful results, while not precluding more intensive co-operation where this could meet specific needs in a particular area.

2. The mandate and objectives of the Economic Pillar will nevertheless remain the subject of continued reflection, in conjunction with the work of the Task Force. The Task Force established by the 2002 ASEM Summit will provide suggestions to undertake fresh initiatives or reorganise existing priorities under the ASEM Economic Pillar. We have shared our thinking during this review process with the Task Force. We recommend that all involved in the Economic Pillar continue to assess, in the run-up to ASEM V, whether further input or feedback is needed to assist the Task Force in their deliberations. In particular, we note that all ASEM participants are engaged in a process of intense debate and reflection on the objectives and strategies to achieve greater integration throughout and between both regions. It is against this background that we will need to decide collectively during the coming year on ASEM's role.
3. We recommend that EMM continue to meet at least every 2 years, and that it meet more frequently where policy challenges make this desirable. We therefore recommend that, given the importance of the WTO negotiations during next year, EMM decide to meet in 2004. We note the value of having informal exchanges between Ministers, in particular through working lunches or dinners, while also retaining the possibility of having retreat-style exchanges on a chosen policy issue, where this may be appropriate.
4. We recommend that SOMTI meet annually, regardless of the EMM timetable, and devote the essential part of such meetings to policy debate, while fulfilling its essential tasks of preparing for EMM and overseeing the progress and implementation of all activities under the ASEM Economic Pillar.
5. We recommend that SOMTI charge the Economic Co-ordinators with an enhanced co-ordinating role to confer with ASEM partners and consolidate their views on the implementation of Economic Pillar activities and identify issues for SOMTI policy debate or procedural decision. We propose that Economic Co-ordinators will establish a list of such issues and appropriate recommendations ahead of SOMTI 10 2004.
6. To facilitate the work of the Economic Co-ordinators, we also propose that SOMTI commission for May 2004 conclusive reports from facilitators responsible for current TFAP activities on IPR, SPS, standards, customs, distribution, and electronic commerce. These should take the form of short, non-technical summaries of what each activity has delivered, which policy recommendations have emerged, what facilitators feel should happen next, and what SOMTI guidance is needed. A template for these reports is annexed.
7. On the same timescale, the Economic Co-ordinators propose, subject to the endorsement of SOMTI, to carry out a review of the various suggestions which have been made by the ASEM partners for additional or more specific and intensive co-operation in certain sectors relating to trade and investment facilitation, as well as other potential areas of economic co-operation which have yet to be explored in the context of ASEM. During this review exercise, Economic Co-ordinators will also consider potential forms of result-oriented co-operation in these areas. The key criteria for this review should be the availability of ASEM partners to take responsibility for each project and the possibility to fill potential gaps in our current activities.

8. We recommend that the current priority which is given to Trade and Investment Facilitation and Promotion issues in the expert working groups and during meetings of senior officials and economic ministers be maintained. In addition, we propose that:

8.1. SOMTI 10 in 2004 should evaluate the results of the various ASEM WTO activities, including the meetings of WTO experts and, based upon this assessment, make any recommendations to EMM 6.

8.2. SOMTI shall continue to discuss investment policy matters and will incorporate the substance of IEG meetings into SOMTI's agenda. The current mandate for IEG be replaced by the following:-

*Each ASEM member shall appoint contact points to deal with investment issues. These contact points will consult on priority areas and carry out concrete activities through means of e-mail and virtual meetings, and may hold informal meetings if necessary. Contact points will share information on investment issues, report progress on their activities to SOMTI, and closely co-operate with the business sector to implement their initiatives.*

*The focus of their activities should be related primarily to strategies for increasing investment flows among ASEM members. The AEBF Investment and Infrastructure Groups should be closely associated with this work.*

*Japan has expressed their intention to organise a seminar on Public-Private Partnerships (PPP), in co-operation with the AEBF, during the coming year.*

9. We find that the achievements of the Economic Pillar, especially the Trade Facilitation Action Plan, in creating opportunities for sustained dialogue among experts in particular fields is of lasting value. We recommend that the EMM endorse the maintenance of such dialogues, subject to the reporting process set out above and the principles set out below. We recommend that, henceforth, work should in all areas be focused on carefully defined, time-limited projects. Those volunteering to facilitate such projects should report in writing to SOMTI members immediately following each meeting, and at least one month in advance of SOMTI meetings, and should keep Economic Co-ordinators fully informed of progress at all times. An outline of current best practice for TFAP expert working groups is annexed.

10. We recommend that business be involved more consistently in ASEM work at all levels, and that business views as to ASEM priority objectives be given full weight in selecting Economic Pillar projects. At present, it remains unclear how best to achieve a sustainable level of resources and structure which would maximise the contribution of business to ASEM.

10.1. SOMTI is encouraged to invite the AEBF to recommend improvements to the organisation of business input that would allow these goals to be achieved. SOMTI is also encouraged to request AEBF contact points, as well as other interested business representatives, to identify appropriate business participants who would be available to exchange views on this issue and to take part in a business policy dialogue with Ministers focusing largely on the DDA and regional integration during the EMM this year.

- 10.2. We recommend the involvement of regional, as well as national business organisations and networks, including Chambers of Commerce, Employers' Federations and eminent individual business people, to the greatest extent possible. These organisations, as well as other business representatives, including locally organised business, are encouraged to participate wherever trade or investment expert discussions or working groups are being held.
- 10.3. Taking into account the interest expressed by some business communities for enhanced dialogue with Economic Ministers, we recommend that the hosts of EMM or ASEM Summits consider, where practical and desirable, to organise AEBF in conjunction with Economic Ministers' or Leaders' meetings. Past experiences of organising AEBF in conjunction with ASEM Summits, respectively in London in 1998 and in Copenhagen in 2002, has demonstrated the lasting value of the interaction between Heads of State, Ministers and Business Leaders.
- 10.4. We also recommend that further consideration should continue to be given to identifying ways to improve the co-operation between AEBF and ASEM. The Economic Co-ordinators should be tasked to focus in particular on this issue, in consultation with the current Chair of AEBF.

## **Conclusion**

We believe that SOMTI and EMM endorsement of these 10 propositions would enable the Economic Pillar to gain focus and dynamism over the coming year. SOMTI should review progress in 2004.

## **ANNEX A: TEMPLATE FOR TFAP REPORTING**

### **ASEM TRADE FACILITATION ACTION PLAN**

#### **WORKING GROUP ON [Name of the Working Group] REPORT FOR THE PERIOD [time span covered]**

##### **1. ACTIVITIES**

*List of meetings held during the reporting period*

*List of reports submitted by ASEM partners in the context of the working group*

##### **2. SYNTHESIS OF RESULTS OF MEETINGS AND PROGRESS ACHIEVED**

*A short overview of new developments and the main issues which were discussed, as well as the conclusions/action points arising from meetings*

##### **3. OUTLOOK OVER THE NEXT REPORTING PERIOD**

*A list of meetings planned to be organised during the next reporting period and the main issues which each meeting will focus on/results expected*

##### **4. POLICY IMPLICATIONS AND RECOMMENDATIONS**

*Identification of significant issues or problems which should be addressed or endorsed by SOMTI, including requests for guidance and suggestions for revising or addressing new priorities, recommendations and proposals for activities which should receive greater or less emphasis in future*

## **ANNEX B: BEST PRACTICE GUIDELINES FOR TFAP GROUPS (TO BE FURTHER DEVELOPED)**

### **1. ACTIVITIES**

With regard to the types of activities carried out in the TFAP experts groups, seminars and workshops are important mechanisms to share experiences, inform partners of new developments, improve mutual understanding, and exchange views on issues covered by the relevant working groups. Groups should seek to identify areas where more concrete joint projects can be developed for a deeper collaboration, such as the work on geographical indications in the IPR group, food testing in the SPS group, best regulatory practice in the standards group, and cyber security in the e-commerce group.

### **2. DISSEMINATION OF RESULTS**

In order to promote greater availability of TFAP results to a wide audience, TFAP materials should be made available through electronic means, which may include eventually setting up a common website.

### **3. INTERACTION WITH THE BUSINESS COMMUNITY**

TFAP activities benefit from a close 2-way interaction between experts and the business community. As well as ensuring that AEBF is systematically informed and invited to participate in expert group meetings, representatives from the TFAP working groups should present their activities to the relevant groups in AEBF meetings. Joint meetings between the TFAP working groups and their AEBF counterparts may also be considered.

### **4. FACILITATING INVOLVEMENT OF EXPERTS**

Involvement of knowledgeable experts is essential to promote meaningful dialogue in TFAP meetings. To foster a wider participation of experts in the working group meetings, efforts should be made to schedule working group meetings back-to-back with international meetings, where appropriate, also taking into account the importance of having a balance between meeting taking place in Asia and Europe and the additional benefits of holding meetings in developing countries.

### **5. ENCOURAGING NETWORKING**

The TFAP process benefits from improved networking and co-ordination by making available and maintaining the contact details of all TFAP co-facilitators. Consideration should be given to exploring the possibilities for future TFAP activities to become more effective and efficient through the establishment of a central system for networking and co-ordination.

## **6. TECHNICAL CO-OPERATION**

TFAP activities should consider the potential benefits of addressing the co-ordination of technical co-operation and capacity building exercises between ASEM partners.