

Economic Ministers' Meeting, Chairman's Statement

Makuhari, Japan, 27-28 September 1997

Introduction

1. The first ASEM Economic Ministers' Meeting (EMM) was held in Makuhari, Japan, on 27-28 September and attended by the Ministers responsible for economic affairs from ten Asian and fifteen European nations, with the Luxembourg Minister of Economy acting also as Presidency of the Council of the European Union, and the Vice-President of the European Commission. The meeting was chaired by the Minister of International Trade and Industry Mitsuo Horiuchi of Japan. The list of participants is attached. Prime Minister Ryutaro Hashimoto, an original advocate of the ASEM Economic Ministers' Meeting, opened the meeting with a comment on the importance of inter-regional economic cooperation, noting that this occasion signaled the opening of a new chapter in ASEM economic cooperation.
2. Recalling that their Leaders had forged "a new comprehensive Asia-Europe Partnership for Greater Growth" and recognizing that the growing economic links between the two regions form the basis for a strong partnership, Ministers discussed a wide range of economic issues under the EMM agenda toward developing a common vision for economic cooperation in ASEM.

I. The Economic Relationship between Asia and Europe in General

3. Ministers welcomed the studies on economic synergy undertaken by Japan with a view to providing a solid basis for developing effective policy measures and valuable input for this meeting, and asked that such studies be further deepened.
4. Ministers recognized that there was enormous potential in the economically dynamic and diverse Asian and European regions to create synergy through enhanced inter-regional linkages, spurring the further economic growth of both regions. Taking into account the Discussion Paper on ASEM Economic Cooperation prepared by Japan and ASEAN, Ministers agreed that Asia and Europe should work together to develop priorities, policies and measures for economic cooperation in ASEM and thus maximize inter-regional synergy, based on the following principles:
 - a. Common commitment to the market economy and to necessary reform;
 - b. Closer cooperation and dialogue between government and the business sector, with the business sector as the engine of growth;
 - c. Non-discriminatory liberalization, transparency and open regionalism;

- d. Consistency and compliance with applicable international rules, particularly those of the WTO;
and
 - e. Mutual respect and equal partnership, with recognition of the economic diversity within and between Asia and Europe.
5. In the same context, Ministers agreed that policy objectives should include:
- a. Greater economic interaction between enterprises;
 - b. Improvement of the business environment toward increased trade and investment; and
 - c. Sustained and stable economic growth.
5. In regard to areas for economic cooperation, Ministers recognized the importance of specific fields such as the promotion of business interaction and the liberalization and facilitation of trade and investment; as well as infrastructure development; energy and environment issues; the promotion of small and medium enterprises (SMEs); human resources development; strategic partnerships in third country markets and others; and other high potential areas.
6. Ministers shared the view that ASEM economic cooperation such as the above, which would reinforce the underlying sound economic structures, would also contribute to the robustness of ASEM economies through the active exchange of views on effective policies and concrete measures to enhance the environment in trade and investment and to strengthen economic competitiveness. In this context, Ministers expressed the view that transient economic difficulties, export slowdown and exchange rate fluctuations observed in some ASEM partners would not harm the significant long-term potential of these economies. Ministers affirmed their confidence in the strong future prospects of these economies in an era of globalization, taking into account positive factors such as sound economic fundamentals, abundant investment opportunities and high savings ratios, and based on the consistent application of sound, market-oriented and outward-looking policies.
7. Preparations for European Monetary Union and its effect on the global economy were discussed. Ministers noted the role which the euro will assume as a world currency and recognized its prospects for enhancing trade and investment between Europe and Asia. Ministers also noted that the evolution of the ASEAN Free Trade Area (AFTA) should serve to encourage enhanced trade and investment flows between Asia and Europe, together with greater opportunities for business linkages.
8. Ministers recognized the need to further discuss and develop ASEM economic cooperation according to the principles and objectives agreed to at this EMM, drawing on further studies as appropriate. Ministers also shared the view that business views should be reflected in this discussion.

II. Interaction with Business

9. Ministers underscored the significance of enhancing interaction among business people, the main agents of market activities, so as to expand trade and investment between Asia and Europe, and discussed the role of government in facilitating business interaction. Ministers agreed that the emphasis should be on enhancing mutual understanding, improving information access and strengthening human resources, recognizing the importance of SMEs in achieving the above.
10. Ministers welcomed the attendance of Mr. Ortoli, chairman of the first Business Forum, and Mr. Sarasin, chairman of the second Business Forum, as guests of the Chair. The chair of the first Business Forum reported on its results, providing a basis for further discussion on economic cooperation. Ministers also welcomed the results of the Business Conference in Jakarta as valuable input which complements and reinforces the work of the Business Forum. Ministers expressed their expectation that the second Business Forum will develop discussion on the role of the business sector in the ASEM framework after the EMM. The chair of the second Business Forum affirmed the strong contribution to be made by the business sector particularly in the field of trade and investment.
11. Ministers emphasized the importance of opportunities for informal dialogue with senior business leaders, and urged the early realization of such dialogue. Ministers encouraged greater business sector participation in ASEM economic cooperation, with business views reflected through the Business Forum. In this context, Ministers welcomed Korea's offer to host a Business Forum in 1999 and Singapore's offer to host a Business Forum in 2001.

III. Trade and Investment

12. Ministers reaffirmed the significance of promoting the facilitation of trade and investment and improving the environment for investment and for trade in goods and services, including the reduction of trade barriers and other impediments to trade flows, so that the business sector will be able to increase two-way, market-driven trade and investment flows between Asia and Europe, a pivotal element in enhancing economic dynamism in the two regions. The importance of transparency in trade policies was also emphasized.
13. Ministers welcomed the completion of the Investment Promotion Action Plan (IPAP) and endorsed it, with much appreciation expressed at the initiative taken by Thailand. To further develop discussion in this area, Ministers agreed to the establishment of an Investment Experts Group

(IEG) under SOMTI in which government officials could discuss investment-related issues in a balanced manner from both the promotion aspect and the aspect of policies and regulations, interfacing with the business sector through the Business Forum. The IEG shall assist the SOMTI in following up on the initiatives of the IPAP.

14. Ministers endorsed the framework elaborated by shepherds for the Trade Facilitation Action Plan (TFAP) to be adopted by Leaders at the second ASEM as a tangible achievement in the ASEM process. The TFAP should aim at reducing non-tariff barriers (NTBs) and transaction costs, as well as promoting trade opportunities between the two regions, while complementing work being carried out in other fora. Ministers instructed shepherds to continue their work, with particular reference to the further elaboration of mechanisms for implementation as well as concrete goals to be attained by the third ASEM. They also asked SOMTI to complete the TFAP at its meeting in Brussels next February and to supervise TFAP implementation.

IV. WTO-Related Issues

15. Having due regard to the 1998 WTO Ministerial Conference and the 50th anniversary of the multilateral trading system, Ministers reaffirmed their commitment to the primacy of the multilateral trading system and emphasized its importance in realizing the joint objectives of ASEM business and economic dialogue and cooperation.
16. Ministers confirmed their support for the universality of WTO membership and the early accession, through negotiations, of applicants among ASEM partners based on effective market access commitments, while preserving the integrity of WTO rules.
17. The importance was underlined of attaining agreement in the WTO on financial services, with commitments including significantly improved market access from the broadest possible number of participants by the agreed deadline of December 1997.
18. Ministers endorsed the efforts being made to integrate the least developed countries (LDCs) into the global trading system, in particular by improving their capacity to take advantage of the opportunities such integration creates. While the primary role of developed countries in such efforts was emphasized, substantial involvement of advanced developing countries with higher national income was in particular encouraged. For this purpose, Ministers reaffirmed the importance of the High-Level Meeting on LDCs in October 1997.
19. With a view to maintaining the momentum of global trade and investment liberalization, as endorsed at the SMC, Ministers reaffirmed their commitment to further contributions to the WTO, including further tariff liberalization, new issues (such as trade and investment, trade and competition policy, and transparency in government procurement), standards, intellectual

property rights, rules of origin and all other aspects of trade facilitation and expeditious review of regional trade agreements, and forthcoming important negotiations and reviews of the built-in-agenda issues at the end of century.

V . Infrastructure Development

20. Ministers noted with great interest the enormous demand in Asia in particular over the coming decade for the development of infrastructure such as electricity, gas, transportation, telecommunications and water, and agreed that such development was a vital task in terms of laying the ground for further economic development. It was also felt that infrastructure development would be effectively approached by facilitating business sector initiatives, and, from this viewpoint, Ministers welcomed the report by Mr. Ortoli on the ongoing study conducted by the Infrastructure Task Force established by the Business Forum, as well as the report on the Symposium on Financing Infrastructure Development in Frankfurt.
21. Ministers noted the view expressed in these reports that risks outside the usual commercial and political risks are one major obstacle to infrastructure development by the business sector, and that an effective way to mitigate such risks, reduce transaction costs and establish proper regulatory frameworks would be to engage in joint work on launching appropriate tools, using such means as model contracts/standard bidding and contractual guidelines with possible instruments for encouraging contract observance. Ministers agreed to further enhance dialogue between the business sector and the relevant government authorities to promote the development of a study on appropriate tools. In this context, Ministers expressed their expectations that the Business Forum will accelerate this study and invite high-level officials from relevant government authorities to a working group at the next Business Forum so as to deepen such dialogue.

VI. Sustainable Economic Growth; including Technological Cooperation, Energy and Environmental Issues

22. Ministers recognized that energy security, environmental protection and the achievement of sustainable economic growth were common issues to all ASEM partners, and in order to maintain the stability of economic growth in Asia, Europe and the world economy at large, it was important that all three march hand in hand. In pursuit of the above, Ministers also recognized the importance of efficient use of energy through the development and dissemination of

technologies. Ministers stressed the importance of rising to the critical challenges posed by climate change issues, in particular through a successful Third Conference of the Parties to the FCCC in Kyoto. Ministers also stressed the importance of inter-regional cooperation and solidarity in preventing and mitigating the effects of major environmental phenomena such as forest fires and floods.

23. Ministers therefore urged officials to launch the necessary work as soon as possible toward the sharing of relevant experiences, overcoming constraints and increasing the synergy effect between the two regions. Energy sector deregulation was noted as one example of an area in which Asia and Europe may work together and share their experiences. Ministers also recognized that the promotion of economic and technological cooperation based on equal partnership between Asia and Europe would be effective not only in overcoming these constraints but also in providing trade and investment opportunities, contributing to the development of the world economy. Ministers welcomed the report on the Asia-Europe Experts Meeting on Technological Cooperation in Beijing and called for further considerations.

Next Steps

24. Ministers agreed that the second EMM would be held in Berlin, Germany, in October 1999. Ministers also agreed to report the results of the EMM to Leaders at the second Asia-Europe Meeting in April 1998 in London, affirming their strong commitment to making the maximum contribution to the development of ASEM economic cooperation.