

Second ASEM Economic Ministers' Meeting

Chair Statement

1. The second ASEM Economic Ministers' Meeting was held in Berlin on 9 and 10 October 1999. It was attended by ministers of economics, trade and industry from ten Asian and fifteen European nations - with Finland acting also as President of the Council of the European Union - and by the EC Commissioner responsible for trade matters. The meeting was chaired by Werner Müller, German Federal Minister of Economics and Technology. The list of participants is attached.

2. The Heads of Delegations were received by Dr. h.c. Johannes Rau, President of the Federal Republic of Germany.

3. In his opening remarks, the Chair stressed the significance of European-Asian co-operation for stability, peace and development in the world. He pointed out that, following the phasing out of the financial and economic crisis in East Asia and the introduction of the euro, the conditions were in place for a dynamic new chapter in the further development of economic and commercial relations between the two regions. The Finnish Minister, in his capacity as EU Presidency, likewise underlined the commitment of the EU Governments and the European business sector to enhanced co-operation with Asia and to the continued development and deepening of the partnership between the two regions.

I. Economic development

4. Ministers noted with pleasure the increasingly positive signals indicating that the economic and financial crisis in East Asia has been overcome. The ongoing process of reform in the concerned countries, coupled with the co-operation and solidarity shown by the international community, and with the determination of ASEM partners to maintain open markets in line with the ASEM trade and investment pledge, have made it possible to stabilise the crisis in the most hard-hit countries and to lay the foundations of renewed dynamic growth within an impressively short time. Economic recovery is now gaining the upper hand throughout the region. All the indications are that, at the beginning of the new millennium, Asia and its economic partners will be able to look forward to enhanced and sustained economic growth. In order to cement this upward trend and to avoid setbacks, however, it will be essential to continue the resolute path of reform already demonstrated by the concerned countries, both in the financial and banking sectors and in the corporate sector. Ministers noted that progress is being made on measures to strengthen the international financial system and welcomed

the wider participation of ASEM partners in the ongoing dialogue. Ministers encouraged strengthened dialogue and co-operation between ASEM partners in the fields of technology, capacity building and corporate governance.

5. Ministers agreed that further improvement in the economic climate for foreign firms is having a positive impact on the desired influx of external capital and expertise. Consideration of environmental issues, education and training will continue to play an essential role in terms of the prospects for long-term sustainable economic development, just as the development of appropriate social safety nets will be essential for a sustained recovery and ongoing economic dynamism.

6. In Europe, the introduction of the euro has complemented the process of economic integration which started with the creation of the Single Market. In a short time, the euro has become a new world currency. In the medium term, it is quite likely that an important share of world trade will be denominated in euro. The dynamic growth deriving from the euro is making Europe an even more interesting partner for trade and investment for the Asian countries, and particularly the ASEM partners.

7. Ministers noted that the clear economic recovery in the Asian countries affected by the crisis, together with the increasing economic dynamism in Europe related to the introduction of the euro, are stimulating trade flows between the two regions. Asian exports to Europe have kept increasing during the crisis, demonstrating the success of the ASEM trade and investment pledge expressed by all Leaders at the Second ASEM Summit. European exports to Asia, although having experienced a decline during the crisis, reflecting reduced demand in Asia, have already shown signs of recovery. The prospects are bright for an intensified co-operation on trade and investment matters, in the mutual interest of the two regions. Ministers thus confirmed the essential importance of the trade and investment pledge and agreed to intensify their work for the enhanced development of two-way trade and investment flows between Asia and Europe.

II. Economic relations between Europe and Asia

8. Ministers welcomed concrete progress made since the first ASEM Economic Ministers' Meeting in Makuhari in September 1997 in promoting trade and investment. Ministers noted the update of the studies on the Economic Synergy between Asia and Europe.

9. In the context of the Trade Facilitation Action Plan (TFAP), which was approved at ASEM II in London, Ministers emphasised the importance of achieving substantive progress and of the need for

the TFAP agenda to be more forward-looking and to focus on concrete steps towards the removal of trade barriers. While building on the useful work already done in implementing TFAP through activities in the seven priority areas of: customs procedures; standards and conformity assessment; public procurement; quarantine and SPS procedures; intellectual property rights; mobility of business people and other trade activities - market access in distribution, Ministers underlined the need for a more practical approach to reducing non-tariff barriers and transaction costs and for the promotion of trade opportunities. Making good use of the non-confrontational, non-binding, voluntary and informal nature of the ASEM process, and underlining the need to expedite completion of work in the priority areas, Ministers adopted a paper on the Future of TFAP, to be annexed to the existing Trade Facilitation Action Plan. They instructed SOMTI to oversee the implementation by ASEM partners and to prepare a full report on the concrete goals achieved prior to the Third ASEM Summit. Ministers finally stressed that greater consideration should be given to the experience and needs of the business sector.

10. Ministers noted with pleasure that European investment in Asia has only been slightly affected by the financial and economic crisis. The continuing influx of capital and expertise is an expression of the confidence of European investors in the economic future of the Asian ASEM partners. Also, the economic reforms introduced in the wake of the crisis are enhancing the attractiveness of the region for foreign investors. In this context, Ministers underlined the importance of continuing actions to promote two-way investment flows.

11. In recalling the principles of the Investment Promotion Action Plan (IPAP) and reconfirming its objectives, Ministers welcomed the launching of the Virtual Information Exchange (VIE) [<http://www.asem.vie.net>], as an important tool to foster transparency of investment regimes, and of ASEMConnect, as a useful internet-based tool to facilitate co-operation in the business sector. They welcomed the list of those national investment promotion and policy measures that has been compiled by the Investment Experts Group (IEG). These measures have been found to be most effective in promoting inward investment. Ministers endorsed this non-binding list as a benchmark for partners, where appropriate, in attracting foreign direct investment. They welcomed ASEM partners undertaking further measures which are aimed at establishing favourable, stable and non-discriminatory conditions for foreign direct investment. ASEM partners will voluntarily report to SOMTI each year on the progress they have made in the nine categories of investment measures, as well as on other relevant activities they have undertaken to improve the investment climate in their countries.

12. Ministers extended the mandate of the Investment Experts Group (IEG) for another two years

period until EMM III, continuing the present terms of reference, and confirmed the work programme identified by the Third Investment Experts' Group. This work shall include investment promotion activities and address the obstacles to investment as identified by the business sector, through a practical approach, in order to enhance the investment climate by, *inter alia*, improving investment policies and regulations. With this in mind, Ministers further instructed senior officials to look into the possible synergies between the Action Plans on Trade Facilitation and Investment Promotion. .This process should be well under way before Third ASEM Summit in Seoul 20-21 October 2000.

13. Ministers noted the report of the Asia-Europe Vision Group, whose independent experts had been tasked by ASEM II to develop a medium to long-term vision which would help guide the future direction of the ASEM process into the 21st century. Ministers noted with appreciation that the report of the Vision Group identifies a number of key themes in the economic sphere which merit particular consideration and further development in the context of the ASEM process. These included in particular the need to strengthen the dialogue and co-operation with regard to trade liberalisation and investment promotion, including both multilateral issues and other measures to facilitate and encourage two-way trade and investment flows between Asia and Europe; strengthened dialogue with business and among business; co-operation in priority industrial sectors; and dialogue on important socio-economic issues.

14. Ministers therefore instructed SOMTI to examine further these four key themes, taking account of work already being carried out within the ASEM process, so as to identify the main economic priorities which might be considered at ASEM III for inclusion in an updated Asia-Europe Co-operation Framework.

III. Interaction with business

15. Ministers welcomed the closer interaction with the activities of the Asia-Europe Business Forum which has occurred since the first Economic Ministers' Meeting. They view the work of this forum, and the concrete recommendations which it can make, as an indispensable contribution to an improved framework for trade and investment based on the real issues facing business in the two regions.

16. Park Yong-Oh, the chairman of AEBF IV, reported on the recommendations agreed by the Business Forum during its meeting in Seoul from 29 September to 1 October 1999. Ministers asked SOMTI to consider these recommendations and to examine steps for their implementation. Ministers welcomed the announcement by Professor List, incoming chairman of AEBF V, that the Forum will be held in Vienna, Austria on 28-29 September 2000. Dr von Pierer, chairman of the Asia-Pacific Committee of

the Federal Republic of Germany, informed the ministers about the prospects of Asian-European co-operation from a business point of view.

17. Ministers reviewed the scope for greater co-operation among ASEM partners in the field of infrastructure and viewed this as an important area for future co-operation and one where the business sector would have a critical role to play. They confirmed that the expansion and upgrading of infrastructure - particularly in the fields of transport, energy and telecommunications - is of fundamental importance for lasting and sustainable growth in our two regions. Increased opportunities for public-private partnership would be important, drawing on opportunities for private financing, and in particular on an enhanced and transparent regulatory framework. In this regard, Ministers asked the Asia-Europe Business Forum to continue its work in the field of infrastructure and suggested that the Forum could draw up an analysis of best-practice conditions governing private-sector involvement in the field of infrastructure. The Forum should make recommendations to SOMTI regarding such best-practice conditions.

IV. WTO-related issues

18. Ministers stressed the essential importance for the global economy of a multilateral rule-based trading system as embodied in the WTO and the importance of ensuring full and faithful implementation of the Uruguay Round results. Particular attention should be paid to implementation and review issues and their early settlement, in order to provide further impetus towards the full and active participation of all Members in the WTO system.

19. Ministers pledged to give the strongest support to the launch of a new round of multilateral negotiations at the WTO Ministerial Meeting in Seattle from 30 November to 3 December 1999. The agenda should encompass further liberalisation, strengthening and improving of rules and disciplines and aim at achieving an acceptable balance which responds to the interests of all WTO Members, including developing country Members. Ministers all agreed that this new round should offer major opportunities for the developing countries, to strengthen their role in the world economy and improve the living conditions of their populations.

20. Ministers engaged in a thorough and fruitful discussion of a possible agenda for these negotiations.

A substantial number of Ministers voiced support for a comprehensive Round, encompassing not only the Built-In Agenda issues and market access for all non-agricultural products, but also trade facilitation, foreign direct investment, competition, TBT, government procurement, enhanced

transparency of the WTO, greater coherence in international economic policy-making and further work on the issue of trade and environment. Support was also expressed for the need to address some aspects of the existing antidumping agreement. Some Ministers proposed the need for further analytical work in conjunction with the ILO of the relationship of trade and core labour rights. A number of Ministers expressed real difficulties with this issue.

Some Ministers, however, argued for a sufficiently broad-based negotiation consisting primarily of the mandated negotiations on agriculture and services and market access for non-agricultural products.

Ministers agreed to continue their discussion of these issues, noting that consensus would be needed at Seattle for both the launch of negotiations and the setting up of the negotiating agenda. To the extent that, at Seattle, a consensus can be found on the agenda for the trade round, Ministers agreed that the negotiations should be conducted and concluded as a single undertaking within three years.

21. Ministers agreed to continue work on electronic commerce in an appropriate framework in WTO, with a view to securing the full economic benefits of this new technology. Ministers gave their support to a temporary extension of the current moratorium on duties on electronic commerce transmissions as one element of a balanced package of results from the WTO work programme on electronic commerce.

22. Ministers agreed that the interests and concerns of developing countries should be fully taken into account in the negotiations including through enhanced and effective market access, strengthened and operational rules on special and differential treatment as well as enhanced attention to their effective implementation, the possibility for phased implementation of the results of negotiations, capacity building measures and enhanced technical assistance.

23. Ministers further underlined that particular attention should be paid to the Least Developed Countries, with a view to their better integration into the multilateral trading system. Ministers discussed the proposal, by the EU, to consider a concrete decision at Seattle, by industrial countries and to the extent possible, by developing countries, to offer duty-free access to essentially all products exported by the Least Developed Countries.

24. Ministers stressed their belief that it is in the interest of the WTO as a whole to reinforce its efforts to ensure the participation of as many new WTO Members as possible in multilateral trade negotiations. They agreed that the current accession negotiations should be accelerated, aiming at mutually acceptable market access commitments and adherence to the WTO rules, in order to make

WTO membership as comprehensive as possible. They urged that appropriate assistance be extended by the WTO to acceding developing countries to facilitate their expeditious accession. They also agreed on the importance of providing participant status in the future WTO negotiations to any country or separate customs territory that has engaged in accession negotiations.

25. Ministers emphasised the significance of public confidence for ongoing trade liberalisation in the multilateral framework and the need for the WTO to redouble its efforts in this context, notably by better highlighting the potential contribution of the rule-based trading system towards sustainable economic development.

26. Overall, they assessed EMM II as an important step on the way to a successful third WTO Ministerial Meeting in Seattle. Ministers agreed that support for the WTO negotiations, and ongoing consultation among ASEM partners on these issues should remain a key element of ASEM economic dialogue and co-operation throughout the Round. Ministers called upon other countries to contribute to a constructive and successful WTO Ministerial Meeting in Seattle.

V. Work programme

27. Ministers endorsed the economic elements of the current ASEM two-year work-programme, taking account of decisions taken at Second ASEM Summit and of subsequent progress in implementing ongoing activities and in preparing new proposals. They agreed that this updated work-programme contains important elements for the facilitation and promotion of two-way trade, including investment flows between Europe and Asia, and for the encouragement of co-operation between economic operators in the two regions. In recognition of the important role played by SMEs in the economic relationship between Asia and Europe, Ministers confirmed their will to pay special attention to this aspect of the ASEM process. They asked SOMTI to continue to review and evaluate the work-programme implementation on a regular basis.

VI. Next ministerial meeting

28. Ministers agreed that the third EMM would be held in Asia in 2001. Ministers also agreed that the results of EMM II should be reported to Leaders at the third Asia-Europe Meeting in October 2000 in Seoul.