
World Economic Forum

Europe-East Asia Relations at a Crucial Point

Singapore, 14 October 1994

A PROGRAMME FOR ACTION

The strengthening of the Europe-East Asia¹ relationship is today an urgent priority. It is not only a matter of Europe taking advantage of the tremendous opportunities opened by the East Asian “economic miracle”, or of East Asian countries being able to continue their export drive in a European Union which is becoming, with the probable inclusion of four new members, the world’s largest economic grouping so far. In fact, the correction of weaknesses and imbalances in the relationship between Europe and East Asia would contribute to a greater stability of the world economy, and would avoid the risk of continuous frictions and conflicts harmful to the prospects of global growth. A bolder, more activist, across-the-board approach is now in order, at the national as well as at the corporate level.

From this perspective the Europe/East Asia Economic Summit has made the following recommendations for action to be taken at the government and corporate level.

1. Initiatives on Trade Issues

A) After the positive conclusion of the GATT negotiation, *it is necessary to implement the Uruguay Round agreement as quickly as possible, in spite of remaining difficulties in order to accelerate and reinforce the trend towards trade liberalization in the world.* In this framework the European Union and East Asia must demonstrate their will to participate in this trend, even when its impact can raise difficulties for some sectors of their economies. *It is essential that European countries make a commitment to control the spreading use of anti-dumping and other safeguards and countervailing measures. A revision of the EU anti-dumping practices, towards a more transparent use, is today in order.*

B) In East Asia, it would be quite useful *to initiate a systematic review, on a country-by-country basis, of the levels of protection through high tariffs and quantitative restrictions still existing in most East Asian economies* — even after the reductions envisaged by the Uruguay Round agreement. This review should determine to what extent these levels of protection can still be really justified by the need to protect infant industries in the economies concerned and propose a timetable for the phasing out of quantitative-restrictions and reduction of tariffs, according to the specific conditions in each country.

In this respect, the government in the region could create a committee of experts to assess the feasibility and possible timetable of a *“concerted regionwide liberalization programme implemented on an MFN*

basis” as outlined in a recent study from the World Bank.² This programme would build upon and expand what the ASEAN Free Trade Area (AFTA) is planning to achieve in terms of the reduction of intra-regional industrial tariffs within 15 or even 10 years on a “fast-track” programme when possible.

Such a strategy, emphasizing reciprocity, would be attractive for East Asia and the European Union and would become more acceptable politically.

D) The Europe/East Asia Summit has underlined the need to take into account European concerns with respect to the special or preferential agreements reached in some cases between East Asian economies and the United States. Even if such agreements are supposed to open the markets to everyone, and not only to US corporations, the concern remains that they would put European corporations at a disadvantage. European and East Asian governments should work out the modalities of a binding commitment to strengthen one guiding principle of the GATT structure, i.e. that trade should be non-discriminatory. *They should reaffirm a firm commitment not to engage in practices or enter into agreements with third parties, which would have a de facto exclusionary or discriminatory impact on the other.*

E) Considering the preparations for the next APEC Summit in Indonesia, the Europe/East Asia Economic Summit finds it is crucial that the evolution of APEC does not lead to a weakening of the multilateral trade system but that, according to its official purpose, it would strengthen the proper working of the World Trade Organization.

F) *A concerted effort should be made to improve global trade between Europe and East Asia.* This involves necessary improvement in the collection and diffusion of information on the business environment in both regions and the opportunities it provides for capital flows as well as for consumer goods and services. In this respect, *special attention would have to be given to medium sized companies. Chambers of commerce and industrial associations have here an important role to play* and, for instance, their connection would help create the kind of web of relations conducive to greater business linkages.

2. Initiatives in the Financial and Investment Domains

The Europe/East Asia Economic Summit proposes to act in order to correct the imbalance in financial and investment flows between the two regions. The Uruguay Round agreement provides an additional momentum to the liberalization trend on FDI in many countries in East Asia.

A) *It is urgent that the governments in East Asia accelerate the process of convergence of national policies towards FDI.* This process should comprise the further reduction of the number of sectors and activities where restrictions still apply to FDI, in East Asia as well as in Europe, especially with respect to services and natural resources. *There should also be a further lowering of the level of ownership restrictions in strategic industries or in cases of privatization of public enterprises, also in the two regions. A joint study group could be formed for this purpose* which would propose not only a set of liberalization measures but also a timetable taking into account the varying levels of liberalization already achieved in the different economies and specific national conditions.

B) *Another recommendation is to establish a set of commonly agreed standards to ensure “national treatment” to foreign investors.* Although the need for this is more acute in East Asia than in Europe, the European Union too would need to review its policies and practices in this domain. This process should include establishment of a comprehensive legal framework offering the crucial elements of predictability and transparency for foreign investors, and to address the issues of investment protection provisions and formal dispute settlement procedures. A number of already existing bilateral agreements on foreign investment could provide the basis for a commonly agreed “code of investments”. In the same vein, European and East Asian governments need to undertake a systematic review to ensure the full transparency of national policies, regulations and administrative frameworks concerning FDI, the standardization of accounting and reporting systems.

C) *Initiatives to expand and accelerate the process of liberalization in the domain of FDI could be replaced in the context of the efforts launched inside the OECD for developing a new multilateral investment agreement which would be open to signature by non-OECD member countries. A strong and comprehensive set of rules is becoming increasingly necessary in the new global investment environment and efforts in this domain would contribute to accelerate the liberalization process.*

D) *With the spectacular increase in the financial flows between Europe, East Asia and North America, there is today a growing need for the development of a framework of rules and institutions which would increase the ability to monitor and manage these flows, to exchange information, to address common problems linked to issues such as regulation, taxation and financial policy-making. European and East Asian governments should develop policies geared towards regional AND inter-regional cooperation in this domain. European countries could provide assistance, based on their own experience in developing financial institutions to countries which are still in the process of development and liberalization of their financial markets. These policies should also intensify the existing cooperation among central bankers and financial institutions at the intra- and inter-regional levels.*

3. Expanding Technology Cross-Flows

By putting their technological assets in the basket European corporations can enter into the kind of partnership and strategic alliances with East Asian corporations which would help them to achieve durable breakthroughs on the East Asian markets. But in many instances the lack of sufficient intellectual property rights protection has proved to be a considerable obstacle for partnerships. Although the Uruguay Round agreement will bring about a substantial improvement in terms of intellectual property rights protection, a number of uncertainties remain on the enforcement aspect which hamper the development of joint ventures and strategic alliances.

In this respect, *all the governments concerned have to take urgently the necessary measures for the swift implementation of the provisions of the Uruguay Round agreement.* An active policy is required to bring the level of protection of intellectual property rights in many East Asian countries to internationally recognized standards. But formal commitments will not suffice. *A policy of stiff penalties for counterfeiting and intellectual property robbery is a prerequisite for creating the necessary safeguards without which technology cross-flows will still face considerable obstacles.*

4. Taking the Lead on Environment and Infrastructure Policies

A) European countries have an opportunity to play an important role — and to enhance their presence in East Asia — by an active policy of cooperation through which they would bring into play the considerable experience they have acquired in the domain of environment protection. Pollution control technologies, are for instance a domain in which many European corporations have acquired a leading position that they could put to best use through a policy of “active engagement” in East Asia. As part of the European economic assistance programme, *European countries should consider with East Asian countries the joint funding of environmentally sound economic development projects.*

B) Infrastructure and energy represent critical priority sectors for East Asia and should be targeted as one key area for increasing the European economic presence in the region. To increase their presence in the region, *European corporations need to develop the opportunities to put to use the environment-friendly technologies they have developed, as well as their expertise and technology in transport infrastructure and telecommunications. In this respect, a coordinating mechanism could be set up to ensure the pooling of financial engineering capabilities with the industrial knowhow that European corporations could provide in such mega projects.*

5. Bringing in the Business Approach

The business aspect is — and will remain — key in any effort to strengthen and broaden the relationship between Europe and East Asia. The Europe/East Asia Economic Summit provides today the only existing region-to-region framework for business networking and discussion of the issues relevant to the global Europe-East Asia relationship; in this respect, it complements what already exists on a country-to-country basis, and at the European Union-ASEAN institutional level.

It could prove useful to create a “Business Leaders Board” which would provide — in a very informal and pragmatic way — a regular business input on the issues affecting the economic relationship between the two regions and on the possible ways to address them. Its members would also provide their support and influence in promoting proposals emerging from the annual meetings of the Europe/East Asia Economic Summit.

6. Broadening the Political Dialogue and Cooperation

A) The Europe/East Asia Economic Summit considers that *the European Union should actively support the gradual inclusion of East Asian countries in the global economic and monetary policies coordinating processes*. This would contribute to greater efficiency of the macroeconomic policy coordination process and thus reduce the risks of disruptions on the world’s economic scene. In this respect, the dialogue initiated between the OECD and the NIEs should be expanded with the view of including as soon as possible these economies in the OECD framework.

B) Moreover, the Europe/East Asia Economic Summit recommends that the political dialogue between the two regions address the problem of the linkage between the trade and not purely economic issues, such as social and human rights, environment issues in a way which would defuse them of the emotional load they have come to bear in the recent months. *There needs to be a quiet and constructive dialogue on these issues — a dialogue based on the principles of strict non-interference in domestic affairs, and mutual respect.*

C) More generally *the Europe/East Asia Economic Summit underlines the need to launch a concerted political effort between the two regions, on a country-to-country — and also on a EU-ASEAN — basis, to bridge cultural differences through better communication, and to encourage a cultural dialogue*. It should focus on promoting youth and student exchange programmes, on the creation of university programmes aimed at favouring the learning of respective languages and cultures, the creation of university chairs on the economies and business environment in the two regions. Another element of this effort could be the implementation of the concept of “partner regions and cities” between Europe and East Asia.

7. Europe/East Asia Government Summit

As the countries in the Asia Pacific region are already involved in the building up of APEC, the Europe/East Asia Economic Summit has come to the conclusion that *all the existing mechanisms for cooperation between Europe and East Asia inclusive of the Europe/East Asia Economic Summit need to be put in the broader context of a Europe/East Asia summit at the level of heads of governments* to discuss the issues affecting the relations between the two regions.

NOTES

1. In this document, East Asia is meant to comprise China, Japan, the Republic of Korea, Taiwan, Hong Kong and the ASEAN countries.
2. East Asian Leadership in Liberalization (April 1994).