

**A harmonious neighborhood:
Retrospect and Outlook on Asia-Europe Economic Cooperation
Address to AEBF11
Mr. Christoffer Taxell
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In this world some things stand the test of time. And others appear to change at a pace that does not allow us to digest one truth before it has already transformed to another.

Even a month ago the world economic outlook was different from what it is today. Daily news on the financial crisis has proven to be a kaleidoscope. Through it we can catch a glimpse of the current reality – until it is gone.

And at this eleventh hour the issues in front of us are more pressing than before.

Business has for centuries connected Asia and Europe. It has been the engine of our cooperation.

However, only within recent decades technological development, along with its applications and consequences, has completely overhauled our realities. This progress, together with trade and investment liberalization and capital market deregulation, has enabled globalization.

Globalization, in turn, has spread the benefits of economic growth and increased global well-being. Our host country China, and the city of Beijing, have certainly been in the centre of this development. Globalization has also brought Asians and Europeans closer together than ever before.

And together we are all confronted with global challenges. High or unstable energy, raw material and food prices. A major international financial crisis and the related slowdown in the world's leading economies.

Together we have also begun to see a shift of economic bias – from those who are used to having it to those whose share has, at least in modern times, not reflected their potential. Risk of protectionist tendencies has for some time been looming underneath.

It would be reassuring to claim that the instabilities are mere symptoms of the tendency of capitalism. To drive itself periodically to a crisis and learn from each experience.

It is more challenging to ask whether the big picture is changing. Whether the current crisis could mark a significant change in global cooperation.

The question could be put simply, whether increasing cooperation is history – or our common future?

I would like to approach this question and the cooperation of Asia and Europe from the perspective of international trade and through three different angles.

First, by taking a brief look at the past work of ASEM and the AEBF.

Second, by raising a few of the current global goals and challenges and exploring their links with the AEBF and ASEM work.

And finally, I wish to try to see what could be there, and outline a vision for AEBF future.

Let us now take a look back and remember where we are coming from.

Ten years ago the Second ASEM Summit, convened in London in April 1998, established the Asia-Europe Vision Group. A year later this group produced a report that was inspired by one conviction. The ASEM process required an overarching vision of Asia-Europe relations over the long-term.

The Vision Group hoped that its Report would enable ASEM leaders to cooperate and deliver in tackling complex and pressing global challenges. With this in mind the Group made a number of recommendations in specific policy areas. The realization of them was to bring real benefits – to ASEM partners and to the rest of the world.

The first major recommendation related to the next round of international trade talks. It set the eventual goal of free trade in goods and services by year 2025.

The second major recommendation related to Global rules for enhancing transparency and prudent financial supervision. It called for closer macroeconomic policy coordination and reform of the international financial system.

A decade has passed and these recommendations are, unfortunately, not outdated. We may well convey them again to our State leaders at the end of this week. We can also hope that our voice will not only be heard but also acted upon.

Turning then to AEBF recommendations, one perceives that the fundamental message of business has been consistent.

Throughout the years, the AEBF recommendations have repeated also the recommendation of the Asia-Europe Vision Group. Having reflected upon the recommendations of AEBF10 – which I had the honor to chair in Helsinki, Finland, two years ago – we have noted that they remain valid.

AEBF recommendations remind us how Asian and European Business has continuously expressed support for the multilateral trade regime and supported the removal of discriminatory rules and barriers to trade and investment.

We have called for a stable and predictable regulatory and economic environment. An environment where obstacles to trade in goods and services, as well as investment, will be removed to ensure level playing field for business.

This also includes the liberalizing and strengthening the financial system. And then maintaining its openness, dynamism and innovativeness – while at the same time ensuring that the regulatory framework for financial services guarantees confidence on a sustainable basis.

We have stated that trust and transparency are the essence of the financial system, and necessary for economic growth. We have continued, that the balance sheets of banks and corporations should reflect the true picture of their economic positions.

We have drawn serious attention to a joint challenge – how to ensure the availability of environmentally sound energy at a reasonable price. We have agreed that all energy options should be kept open to ensure energy security and that the latest technology should be exploited to increase energy efficiency

Again, years have passed and these recommendations are not outdated.

It may not appear fair. To raise a few recommendations from the past and point out that they have not been acted upon.

However, one cannot argue that this would be hindsight. The recommendations have been made over and over again, and the difficulty lies in implementation. Moreover, we all have to be ready to face the reality of our recommendations and live up to them.

Let us then take a look around us.

Past months have seen the news become more and more saturated with climate change, energy availability, prices and efficiency, sustainability, poverty reduction, food crisis and, unfortunately, creation of new distortions for the market.

Also the snowballing of the financial crisis and the collapse of the multilateral trade negotiations in Geneva last July are contributing to a sense of turmoil.

Asian and European Business has been a strong promoter of free trade. We've been unanimous in asking our governments to hold on to their responsibility and have strong political leadership to illustrate and advocate the benefits of economic integration also during politically and economically challenging times.

Multilaterally, we have come as far as to see the new round of trade talks begin at the World Trade Organization. We should also have already seen the successful conclusion of the Doha Development Agenda.

However, trade rounds have traditionally taken longer than scheduled. And they have even picked up speed from crises.

The financial crisis has grown to have a worldwide effect. When it advances further into the real economy – considerably hampers lending, increases unemployment and brings down consumption – then it is not enough that we are just strong free trade advocates. We will need to be even stronger opponents of protectionism.

We have never before experienced current level and scope of turbulence in a world that is so interdependent. The difficulty lies in that while we have shared goals and challenges we often appear to lack common solutions.

Therefore, particular care is required when choosing our remedies: we are making choices not only for ourselves but also for our partners. If one of our governments chooses to escape in protectionism, the risk grows that others will follow, leading to a vicious circle where everyone loses.

At a time like this more is more. Global problems need Global solutions. And developing them requires more cooperation.

Here we must realize one thing. The fact that our recommendations have not been implemented does not mean that they have not had any effect! And it definitely does not mean that our cooperation would have totally failed.

Let us then turn to what is ahead, the future.

It has been said that sometimes a crisis is required to reach agreement. To no longer postpone matters that are obvious - and should have been taken care of years ago.

Therefore, in the midst of turmoil, we can also see opportunities.

We have come a long way and a lot has been accomplished. It has, however, been recognized that the work of the AEBF has suffered from the lack of follow-up and proper implementation of recommendations.

While the ground-level business cooperation and economic ties between Asia and Europe have strengthened, the interest of business community in AEBF has not followed course. This is, at least partly, due to the lack of feedback and failure to see the fruit of our work.

The solution for the future is letting business know that it is being heard. And this is best done by implementing our recommendations.

Acting to restrain the current financial crisis, our leaders have shown what they are capable of when it comes to cooperation. It is neither too late to pick up speed for the Doha round!

Business needs free trade - equal, stable and supportive operating conditions. Fully liberalized trade in goods and services by 2025 is certainly still doable.

We can retrieve the DDA and be rewarded for all the hard work put into it. We must also complement it with our regional and bilateral negotiations. These negotiations between partners need to be faster and their results more ambitious to bring real gains above those achieved worldwide.

A good opportunity for an intermediate report will be our next gathering: AEBF12 in year 2010!

Having looked at the past, present and future, I would say that

- Our past visions and recommendations are still valid.
- We are faced with Global problems that need Global solutions.
- And we need to learn from the past but focus on the future.

Hence, it is clear: cooperation is needed now more than ever. And particularly in the longer term, we have only seen the beginning of it.

We, Asian and European businesses, are fortunate to already have a tradition and existing structures that bring us together like here in Beijing. We work together, we find common views and we address our recommendations to our State leaders.

We should continue to do this – to cooperate and give our common input to steering the co-operation between Asia and Europe, as well as globally. To give our governments a reality check when they, in turn, discuss economic cooperation.

A look at past recommendations has shown how reasonable and accurate they have been.

Looking into the future, we need to further concentrate on making our message even more focused. This does not mean giving up on developments we wish to see. Instead, it means making the effort to translate these developments into recommendations that can and will be realized. This we can only do together.