

## **ASEM Task Force for Closer Economic Partnership**

8<sup>th</sup> October 2004, Hanoi

Your Excellencies,

It is my great pleasure and honour to be invited to the ASEM Summit Meetings to present the final report and recommendations of the ASEM Task Force for Closer Economic Partnership between Asia and Europe.

Since the end of the Cold War Age the world economy has been built upon Three-Pillar structure, i.e. North America, European Union and East Asia. The hegemonic role of the US, however, has been predominant. The US, as the champion of democracy and market economy, has exercised the leading economic, military, diplomatic and technological power in the world affair. Even in the field of pop-culture the American influence is pervasive worldwide. The source of the American power is not difficult to identify. The first factor is in its demographics. American population is young and still growing. Thanks to higher birth rate and immigration American population will exceed 400 million by 2030 adding more young labour force. The second is the strength of its market. As long as the American market remains open and competitive as it is now it will maintain a strong ability of regeneration and self-correction. It will continue to be the most dynamic and powerful market. The third is that its overwhelming superiority of military power will still be there.

The most serious challenge for the US in coming years is how to restore the tainted image of the global leader. During the process of the war against terrorism the approval and the trust bestowed by the world to the US as the global leader was critically reduced. If the US fails to repair the damage the global situation, including the economy, will bound to become less stable.

Unfortunately, neither EU nor East Asia is ready to compensate the loss of American leadership. Indeed, the EU is enlarging and deepening. Yet there are many unfinished jobs waiting let alone the need to narrow the economic gap and to carry out structural reforms. Although the single currency was born there seems to be no firm consensus yet to make the Euro the global key currency replacing the dollar. The military capability of EU as a whole is no match to that of the US. Thus, for the time being, the EU has to focus on the internal consolidation and will not be ready to consider seriously and practically to assume the role of a global leader.

What about East Asia? Indeed, East Asia is by all means the growth centre of the world today. Intra-regional trade and investment have soared in the past two decades. Variety of initiatives toward the economic integration such as FTA, Financial Collaboration Arrangement, Regional Capital Market, etc. are now being studied and negotiated. These developments clearly indicate the strong vitality of East Asia. It also reflects the East Asia's anxiety about the steady progress of the regional integration in North America and in Europe. East Asia is afraid of being left behind and losing the global presence. It is, therefore, a genuine aspiration of East Asia to solidify the regional integration and become one of the three pillars tantamount to two others. Nevertheless, East Asia today is too diverse. There is yet no clear leadership structure. There is yet no strong political consensus to lead the integration.

Thus, while one may call it a tri-polar world the reality is that the world is still governed by American hegemony, which is becoming increasingly unstable. Two things need to be done without delay. One is for both Europe and East Asia to develop as a solid centre of economic and political power so that it can play a global leadership role comparable to that of the U.S. The other is to strengthen the tie

between Europe and East Asia. Among three pillars today the link between Europe and East Asia is much weaker than trans-atlantic and trans-pacific link. Europe has been overburdened by its internal agenda and East Asia has been occupied with its dealing with the U.S. who was the most important economic and security partner.

This must have been the background when ASEM Summit leaders at their meeting in Copenhagen in 2002 tasked ASEM co-ordinators to set up an action-oriented Task Force. The Task Force was commissioned to consider three areas: Trade, Investment and Finance, and come up with concrete proposals to foster closer economic partnership between Asia and Europe. The Task Force, consisting of ten Asian and seven European members, co-chaired by myself and Mr. Alfredo Pastor, met five times and completed its final report, a copy of which is distributed to you. This report presents to ASEM leaders the Task Force's vision for closer economic partnership between Asia and Europe, its general recommendation for the future of the ASEM process, and its concrete, action-oriented proposals.

With your permission, let me describe briefly our five concrete proposals.

- (1) We recommend the creation of a virtual ASEM Secretariat, designed to integrate the organisation, tracking and articulation of ASEM activity in the future. Such a step would be consistent with the upgrade of the ASEM process from dialogue to co-operation. In the short run, the Secretariat should remain “virtual” taking the form of a new ASEM website, but we underline the likelihood that sometime in the middle-term future there may be a need to convert it into a physical ASEM Secretariat, complete with staff, facilities and budget.
- (2) We recommend the creation of an ASEM Bond Market and an ASEM Bond Fund, based on a basket currency incorporating the Yen, Euro and the US dollar. The creation of such a market would serve a number of mutually held objectives: to accelerate the development of an Asian bond market, thereby reducing the risks caused by an excessive dependence of Asian countries on bank lending and external financing; to help facilitate a more rational and beneficial channelling of Asian savings; to gradually reduce a potentially destabilising over-dependence on the US dollar. In addition, such measures would enhance the international use of the Euro. The ASEM Bond Fund will facilitate this process by playing the role of a catalyst.
- (3) We recommend that ASEM formally incorporate regular consultations on energy issues into its Economic Pillar. Given the common interests held by most ASEM members as net energy consumers and importers, we also recommend that ASEM members facilitate progress toward further ASEM collaboration on a number of common energy objectives. This proposal is meant to complement our vision that ASEM should contribute to the prosperity and stability of the territories of the Euro-Asian land bridge through ASEM collaboration on transportation, communications, water and energy infrastructure in these areas.
- (4) We recommend the creation of an ASEM virtual Promotion Centre for Trade, Investment and Tourism, designed to stimulate primarily, but not exclusively, the activity of ASEM Small and Medium Enterprises, and to integrate and co-ordinate the activity of a ASEM Senior Executive Advisory Network. This proposal recognises the need for ASEM to make a renewed, concerted and coherent effort to improve the essential flows of information and resources that can facilitate Small and Medium Enterprises activity both within and between ASEM’s regional partners.
- (5) We recommend the creation of an ASEM Business Advisory Council. Such a proposal is aimed at supplementing the activities of the AEBF by creating a more powerful and lasting link between

ASEM business communities and the policies of ASEM leaders, both within and beyond the context of the ASEM dialogue.

Your Excellencies,

We conclude that ASEM is of central strategic importance for both Asia and Europe, and that a new concerted effort to create a meaningful closer economic partnership is a key prerequisite for strengthening the ASEM process. We believe our recommendations could serve as useful and necessary steps to that objective. It is our sincere hope that the ASEM leaders would render the support to the realisation of our recommendations. Without your strong political commitment nothing will happen.

Your Excellencies,

With your permission, I would like to ask Mr Gert Vogt, acting Co-Chairman for European side, to made his remarks.

Thank you.

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