



First Asia-Europe Business Forum Chairman's Statement

Paris, France
October 14-15, 1996

PREAMBLE

1. Toward a growth-driven global partnership

The creation of an "ASEM Business Forum" reflects the political determination at the highest level to establish relations between Europe and Asia which are just as broad and strong as those between Asia and America and between Europe and America.

This will help establish a satisfactory balance between the three main economic centers, in the framework of open regionalism.

Above all, the main purpose of this initiative is to make the most of the value added which can be generated by combining the firmly established economic power of Europe, the foremost market in the world, with the formidable rise of Asia, currently the most dynamic continent.

At the first Euro-Asian Summit in history, held in Bangkok, the Heads of State and Government decided to build up a new form of partnership: "a growth-driven global partnership" comprising every political, economic and cultural aspect. Such a partnership calls for stronger relations between individuals, notably decision makers at all levels, and for better reciprocal understanding.

2. A partnership for all economic players

Even if by itself not enough to guarantee success, the development of economic relations is obviously a prerequisite.

While governments are responsible for setting up the framework necessary to promote more trade, investment, alliances between entrepreneurs and technological or human cooperation, reality will be built day after day at business level.

We are pleased that this was recognized by the political leaders who met in Bangkok and that they decided on a business Forum, scheduled to hold its inaugural meeting in Paris in 1996 and a second meeting in 1997 in Thailand, and requested that senior officials contribute to its work.

Thus, today we are embarking on a twofold dialogue:



- a dialogue between entrepreneurs
- a dialogue between businessmen and government representatives.

The objective agreed by the Heads of State and Government in Bangkok is to bring about better conditions for trade and investment between the two continents, and give the opportunity to business leaders to inform the public authorities in a constructive spirit of the problems they are faced to and to make suggestions about possible solutions,

This will give the opportunity to business leaders to help identify the barriers, gaps and any other factors which limit economic relations between the two continents. In short, the Forum should start a genuinely fresh dialogue on the conditions which have to be met in order to achieve the objective of optimum development of economic relations between Europe and Asia,

This objective calls for a consultative process for which the ASEM Business Forum can be a privileged framework until the London Summit (the second meeting of the Heads of State and Government).

3. A new thrust for a new process

(a) The process launched on 14 and 15 October in Paris closely associated businessmen and governments. Senior officials attended the Forum in order to ensure maximum coherence between the initiatives of political decision makers and the needs of economic decision makers, to optimize the efforts of both, and to ensure that the concerns of businessmen are a full part of public policy and trade negotiations,

(b) This thrust is also reflected in the following timetable agreed in Bangkok:

- the conclusions of the present Forum will be reported to the Ministers of Foreign Affairs during the ASEM Ministerial Meeting (AMM) to be held mid-February 1997 in Singapore;
- the meeting of ASEM Economic Ministers will provide an opportunity to take stock of the Forum results as well as of the work accomplished after the Paris meeting;
- the second Forum, to be held in Thailand, will prepare guidelines or suggestions to be submitted to the Heads of State and Government of ASEM during their second Summit, held in London in April 1998.

Moreover, the ASEM Business Forum comes a few weeks prior to the Ministerial Meeting of the World Trade Organization (WTO), to be held from 9 to 13 December in Singapore;

(c) In parallel to the Forum, this new thrust is also reflected in a sequence of Euro-Asian meetings of greatest interest to businessmen:

- the joint ASEM Government and Private Sector Working Group on Investment Promotion, consisting of senior officials and private sector



representatives and monitored by the Thai authorities, has been set up to prepare an Investment Promotion Action Plan (IPAP). Held from 7 to 9 July in Bangkok, the first meeting of the working group on investment laid the foundations for the IPAP, which is to be wrapped up early next year;

- the Senior Officials Meeting on Trade and Investment (SOMTI), held for the first time on 25 July in Brussels, allowed European and Asian trade policy experts to exchange views in the wake of the Summit and prior to the Ministerial Meeting of the WTO: Senior Officials also discussed other ways to promote trade and investment specifically between Asia and Europe. In this context, they decided to explore the feasibility of establishing a trade facilitation action plan.
- lastly, customs directors general opened a dialogue during a first meeting held on 21 and 22 June in Shenzhen, China.

The businessmen were briefed on the progress of SOMTI talks and on the progress of preparations for the IPAP. They are extremely pleased that the Forum has been able to contribute to IPAP.

RECOMMENDATIONS AND PROPOSALS

4. The objectives and method underlying the organization of the "ASEM Businessmen's Forum" are aimed at identifying general and more specific problems from the viewpoint of business representatives. The discussions were held both during plenary meetings, and within five working groups : infrastructure, consumer goods, capital goods, financial services, and small and medium-size enterprises. Investment was considered as horizontal issue.
5. The general conditions for stronger economic ties between Europe and Asia were discussed

From the viewpoint of entrepreneurs, ASEM needs to forward a basic concept, i.e. a deliberate commitment to create a clear, stable, non-discriminatory framework for competition between businesses.

Within this framework, it is necessary to remove barriers to trade in goods and services while making it easier to raise substantial capital;

Business representatives need to take more active advantage of possibilities to establish closer cooperation, alliances and business relations which will support stronger economic relations. European and Asian businesses should not only establish strategic alliances for investment programs but also for project execution.

Within the framework of ASEM, business leaders wish to be involved in future work programs at government level to facilitate development of trade and investments. Governments should consult them more extensively within this framework, notably for the preparation of the Economic Ministers' Meetings.



They hope that these problems will be put on the agenda of such meetings and are willing to contribute to the discussions in a form to be determined.

6. The business leaders also analyzed specific problems, closely inter related, in the five areas examined by the working groups. This has resulted in a number of requests, recommendations and action proposals, laid out in the following sections.

7. Recommendations on infrastructure

Asia has large infrastructure requirements in all sectors and their scale is unprecedented. According to the World Bank, investments could amount to \$US 1.5 Trillion over the next 10 years, including environment projects.

Very important resources must be mobilized quickly, in order to ensure minimum construction and management cost and the use of best practice. Delegation of management to the private sector, or through privatization, in an excellent alternative.

The real challenge in meeting this huge investment needs is to find ways to raise the necessary funds. Obviously this can not be done solely by private and/or public participation alone. A new and creative approach should be developed to meet these needs.

The business representatives unanimously concluded that all existing individual investment funds would not be sufficient to meet the huge infrastructure investment requirements in Asia.

Therefore we recommend to create a business taskforce to look into the feasibility of setting up a joint investment policy with the following actors:

- government and private sector in Europe and Asia.
- multilateral agencies including ADB, EIB, EBRD, WB, IFC.

a) In the framework of this policy, the business representatives recommend as a main objective the establishment of an Euro-Asian infrastructure fund or equivalent instrument. This major proposal could be conveyed by France as the host country of the Forum to its ASEM partners.

b) Governments need to provide an institutional, environmental, legal and regulatory framework which is clear, simple, consistent and stable, The rules of the game must be clearly defined and transparent to all parties,

(c) Export Credit Agencies (ECA) should cooperate more closely to provide a more consistent approach towards project financing for instance risk assessment rules.



(d) For Asian countries in their early stage of economic development, training should be provided in the areas including international finance, project management, international business risk assessment.

(e) International rules concerning Intellectual Property Rights must be respected, especially to facilitate technology transfer,

(f) Business leaders should not only form long term Euro-Asian alliances with a view to invest in infrastructure facilities not only in Asia and Europe, but also joint Euro-Asian investment in other parts of the world.

(g) Greater Mekong and TransAsia Railways projects have been identified of particular interest and should be given specific consideration within the ASEM framework,

8. Recommendations on consumer goods

In trade like in investment, consumer goods offer promising prospects : Europe is a highly demanding market. Accelerating growth and increasing incomes are steadily boosting Asian consumption to more and more diversified levels. The general trade between the two regions have not kept pace with its potential; so it must be the intention to increase the level of trade as well as investments to provide for continuing economic growth .

(a) All issues connected with access to the market are discussed at government level. The business leaders wish to be involved in these talks and insist on greater effort in this direction. They are ready to contribute with specific analyses. It was emphasised that the objective must be to ensure that international economic activity can be carried out in a climate of certainty, fairness and transparency with a minimal interference by public sector bodies.

(b) It is vital to step up actions to promote trade in order to increase Euro-Asian trade in consumer goods. Promotion should continue to take the form of efficient trade fairs and missions, but the concept could be modernized, notably by using the same fair as a showcase for both trade and culture. Governments need to increase financial support for these fairs.

(c) In this area in particular, protection of intellectual property rights and patents deserves special attention. In the interest of both parties, European and Asian governments urgently need to make progress towards an effective protection of intellectual property rights. As economies progress and become more diversified, respect for the rights of innovative and eff ective businesses has become just as essential in Asia as in Europe.

(d) In multilateral trade negotiations, the importance of the removal of trade barriers have been stressed. The business leaders call for accelerated implementation of the Uruguay Round commitments. The adherence to the WTO principles and the lowering of both tariff and non-tariff barriers should be of the highest priority,



(e) In order to provide the right climate for the trade in consumer goods the cultural and educational aspects of the cooperation between Europe and Asia were emphasised. Improved cultural awareness between the regions should be achieved through education at 3 levels :

1. Primary level (school) introduction to Asian/European history and culture
2. Advanced level (university) exchanges with possible dual location courses (exchanges and twinning agreements between universities and European business schools)
3. Vocational training at both basic and management level

9. Recommendations on capital goods

(a) The business leaders urge the governments to start discussions on "facilitation of trade" within meetings of ASEM Economic Ministers, in order to reduce barriers in capital goods trade, to allow investors or traders to have full control of their activities, facilitating technology transfer and quality support.

(b) The business leaders stress the importance of promoting not just trade but also investment. They noted that joint ventures and strategic alliances can be important vehicles in technological cooperation, particularly technology transfer and the protection of intellectual property.

(c) Business leaders recommend the adoption of international standards (ISO) and the negotiation of international agreements on mutual recognition of tests and certification in a number of priority sectors.

(d) The business leaders also underscore the important dynamic relation between large companies and SME in capital goods. They noted that investments by large firms attract clusters of supporting industries. They also highlighted the importance of tying-up of small and medium size, high technology European firms, with large Asian capital goods firms.

(e) The business leaders recommend that emphasis be placed on training. This enables people to learn from each other. It could be done through business initiatives and by way of national trade associations and Universities. This could also be done through an interchange of personnel.

10. Recommendations on financial services

(a) Asia Europe cooperation in financial services underpins trade, helps to finance Asia's huge infrastructure requirements, plays an important role in attracting foreign investment and meets the growing needs of Asia's people for personal financial and insurance products.

(b) Such cooperation is already well-developed but can be strengthened further. A key area is investment, where Europe's financial institutions can themselves mobilise capital for investment in Asia, while at the same time



helping to generate domestic savings, through developing local capital and money markets. There is an important role here, both for banks and non-bank financial institutions.

(c) Others areas in which European and Asian financial institutions can expand their cooperation are stocks markets, asset management, pension funds and prudential regulation.

(d) The conditions for success in cooperation include strong legal and regulatory frameworks, transparency and non-discriminatory rules.

(e) At the same time, the process of liberalizing financial markets should continue. In this context, it will be helpful if financial institutions in Europe and Asia are willing to exchange expertise, technology and training

(f) The commitment of governments to further liberalization in the multilateral framework of the WTO was appreciated. Particular importance was attached to the prompt conclusion of a WTO agreement on financial services before the interim agreement expires in 1997.

11. Recommendations on small and medium-size enterprises

11.1 It is indisputable that small and medium-size enterprises as a group form an important part of the business structure of any economy. It provides an essential structure supporting the bigger organisations in providing all sorts of high value-added services and intermediate products as well as supplying specialised products to meet specific niches of the market. While large companies are able to develop by themselves cross-border trade and investment between Asia and Europe, the same cannot be said for SMEs. SMEs lack financial and manpower resources and tend to focus on their domestic markets.

11.2 It is clearly recognisable that on the one hand there exists in Europe and in the more developed Asian countries a mature and well structured group of SMEs, while on the other hand, the SMEs in the lesser developed economies tend to be less outward-oriented. Therefore, there is potential for more trade and investment between these economies if SMEs are encouraged to develop cross-border activities. To express this potential, there is a need for a deliberate and voluntary effort be undertaken by public and private sectors in order to implement practical and effective measures. This working party, after extensive discussion, recommends the following measures:

- Facilitation of the accessibility of relevant information
- It is recognised that a great deal of information is already available in various institutions, especially in business and trade associations and other organisations, This information in many cases is provided in the form of electronic databases and is accessible on Internet, As first and most cost effective step, ASEM Business Forum should



collect a comprehensive list of such databases with details of the type of information provided, such as those of the APEC Center for Technology Exchange and Training for SME (ACTET SME).

Starting from the use of these networks, further recommendations could be made to improve the relevancy and quality of the information for SMEs.

- While a great deal of information is required by companies, the first priority should be on providing trade and investment opportunities to SMEs, including contacts with potential business partners for specific products or services. At the same time a specific emphasis should be put on the follow up of matchmaking, especially in the case of trade and business organisations which do have the resources to support companies on a long period of time. Besides electronic media, further information and matchmaking facilities can be provided through fairs, exhibitions and seminars focusing on SMEs
- Providing cross-border venture capital
- One of the biggest obstacles for SMEs to invest cross-border is the lack of financial resources. While financing is available for domestic projects and projects already well established with a profitable track record, there is a lack of seed capital financing or soft loan at low rates for new projects undertaken by SMEs on a cross-border basis. Therefore there is a need for venture capital fund facilities, existing or to be created in the future. The possibility of seeking the support of world financing agencies such as the World Bank or regional development banks such as the Asian Development Bank to provide such types of financial support to SMEs should be seriously explored.
- Other areas that should be looked at to facilitate cross-border investments are double taxation agreements and provisions for repatriation of profits by investors.

Facilitation of the implementation of cross-border investments

Additional measures are necessary to help SMEs implement their investment decisions. The following mechanisms and initiatives could be effective :

- sponsorship of SMEs by large companies providing preliminary support
- development of market awareness and local business familiarisation trips, supported by the appropriate governmental institutions or agencies. To attain more effectiveness a focus should be put on the country and sector's specificities
- financial support for feasibility studies
- facilitation of travel arrangements through provision of multiple-entry visas for a specific country or region valid during a ten-year period.



Development of human resources and improvement of social contact

In the less developed economies in particular, there is a lack of manpower with the required skills and expertise, especially those relating to the technical fields. Efforts should be taken to set up more training institutions geared towards the specific needs of the SMEs. The APEC proposal on the setting up of a SME University should be considered. Besides, attention should also be paid to promote cultural understanding from the business perspective among businessmen and executives; existing Culture Briefing Centres already existing in Europe or Asia can provide a good basis for further development.

To promote more social contacts and enhance understanding the following measures could be implemented:

- creation of an ASEM SME Alumni network; they would foster exchange of experience between SMEs managers and entrepreneurs to promote better understanding
- exchange of personnel between companies, and between trade and business associations, especially for staff in charge of SMEs development

Trade facilitation

Implementation of mutual recognition of product tests and certification is a key question.

12. Investment

(a) The business leaders noted the importance of enhancing investment relationships between Asia and Europe. The European Union represents the largest market in the world, and Asia represents the fastest growing region in the world.

(b) The business leaders noted more precisely that to boost investment between Asia and Europe, a number of areas should be emphasised including

- infrastructure needs in Asia, which create openings to establish long-term presence in the region;
- innovation capacity and high-quality human resources in Europe, which should attract the interest of Asian business people;
- transfer of advanced technologies and training; which could be enhanced by business partnerships, strategic alliances, and joint ventures;
- mobilizing long-term finance through various measures, including improved risk assessment - where it was suggested that a Euro-Asian Rating Agency could play a useful role - deepening the role of multilateral institutions (ADB, EIB, World Bank) in mobilizing additional



funds, especially at the longer end of the market. and investment guarantee schemes;

- special considerations for SMEs, in particular investment support schemes.

(c) Business representatives recognised that there are two types of factors to be addressed in strengthening business links and generating increased investment flows between the two regions. The first relates to the need for stable, transparent and non-discriminatory, market-driven investment frameworks. The second concerns the differing visions and strategies of Asian and European companies, and particularly the need for both sides to be more aware of the business practices required to operate successfully in each region.

(d) Business representatives considered the following

- the importance of better information flows about the business and investment climate and opportunities. A World Wide Web Home Page, for example, would enhance availability of information, encourage transparency, and provide a forum for ASEM business people to explore opportunities and to communicate with potential partners;
- the value of partnerships and networking. Therefore, business conferences to be organised within the framework of ASEM are welcomed, not only to promote better mutual understanding between senior representatives of large and medium sized Asian and European companies but also to address specific subjects of relevance to supporting interregional investments. Business leaders also agreed on the value of business-to-business exchange programmes and high profile business-related public relations events;
- the importance of related policy instruments to support private investment. Specific issues of common interest include: inter-regional tax treaties; mutual recognition of tests and certification; intellectual property rights protection; and settlement mechanisms for business disputes. In addition, they called for co-ordination of existing investment promotion instruments and support for government-business partnerships.

(e) Business leaders recognised the importance of the ASEM Investment Promotion Action Plan in addressing these issues and expressed appreciation to the IPAP secretariat for their active support of the ASEM Business Forum.

(f) Business leaders urged the ASEM Government and Private Sector Working Group and ASEM governments to act on the conclusions of the ASEM Business Forum, and expressed their desire to be kept informed of progress.

FOLLOW-UP OF THE FORUM



13. Steering committee: to set a link between the first and the second forum, the participants agreed to set up a steering committee, a limited group of members selected from the private-sector representatives, notably from the host countries of the Forum (France and Thailand), the Asian coordinators (Singapore and Japan) and the United Kingdom, the host of the next Summit.

The Presidency of the European Union, together with the European Commission, will contribute to the work of this committee, whose members are to be selected.

The purpose of this committee, which will benefit from the contribution of senior officials, will be to manage and coordinate Forum follow-up actions and to prepare the second session.

As host, Thailand proposes to hold the second ASEM Business Forum in late 1997. The exact date will be made known well ahead.

14. Business conference:

The participants note that a business conference is to be organized mid 1997, in line with the conclusions of the Bangkok Summit,

This conference whose format and procedures is distinct from the Forum will provide a highly appropriate opportunity to enrich the follow up of the Forum, using private sector know-how and expertise.

The conference could make a significant contribution to the Economic Ministers' meeting early autumn next year and to the second Forum.

The Forum participants therefore recommend that the business conference is organized between the first and second forum, and are committed to ensure its success.

15. Role of professional organizations

UNICE, the union of European employers, suggested that Asian and European organizations which represent the business community, whether horizontally or sector-specific, be involved closely in following up the Paris Forum. They can indeed play a very useful role in order to :

- ensure broad circulation of the Forum results;
- broaden if necessary the dialogue between the European and Asian private sectors on specific issues;
- pursue the dialogue started with the administrations of the different ASEM countries.

16. Recommendations and cooperation between business representatives



The business leaders agree to send their recommendations to the governments through the appropriate channels together with an expression of their full support for a successful outcome to the WTO Ministerial Meeting in Singapore next December.

They also agreed to publish these recommendations after the Forum.

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