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# 1<sup>st</sup> ASEM Economic Ministers' Meeting (ASEM EMM1)

## Asia-Europe Investment Promotion Action Plan (IPAP)

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### Foreword

The Asia Europe Investment Promotion Action Plan firmly demonstrates the common commitment of all ASEM partners to work towards generating, greater two-way investment flows between Asia and Europe. The preparation of the Action Plan was supervised by the Thailand Board of Investment on behalf of the Royal Thai Government. Public and private agents from all ASEM partners gave generously of their time and insights. The final product is truly a flagship initiative of Asia Europe economic cooperation.

### Background and Introduction

1. The ASEM Investment Promotion Action Plan was first called for in the inaugural Asia-Europe Meeting in Bangkok.

The basic terms of reference for the IPAP are derived from a number of quotes taken from the Chairman's Statement of the Asia Europe Meeting, Bangkok, 2 March 1996 as follows:

(see Annex 4 - not available): "... *the Meeting forged a new comprehensive Asia Europe Partnership for Greater Growth*".

*"The Meeting recognised that an important goal of this partnership is for both Asia and Europe to share the responsibilities in building greater understanding between the peoples of both regions through closer people-to-people contacts"*.

*"To further strengthen this partnership, the Meeting expressed its resolve to generate greater two-way trade and investment flows between Asia and Europe. Such a partnership should be based on the common commitment to market*

*economy, open multilateral trading system, non-discriminatory liberalisation and open regionalism".*

*"The meeting agreed to encourage the business and private sectors, including the small and medium sized enterprises of the two regions, to strengthen their co-operation with one another and contribute towards increasing, trade and investment between Asia and Europe".*

*"A Meeting of Government and Private Sector Working Group would be convened in Thailand to draw up within six months an Asia-Europe Investment Promotion Action Plan to promote greater cross-flows of investment. Such a group could also study the current status of and potentials for investment between Asia and Europe and recommend measures to be taken in this regard".*

## **Plan Preparation Methodology and Activities**

2. The preparation of the IPAP began with a derivation of a terms of reference from the deliberations of the Leaders in Bangkok. On the basis of this terms of reference, a preliminary IPAP structure and a discussion document were prepared by Thailand as inputs for the inaugural meeting of the ASEM Government and Private Sector Working Group which was duly held in Bangkok 7-9 July 1996, hosted and organised by the Thai Government Participants included government and business representatives from the ASEM partners and a total of over 80 persons attended the Meeting. The deliberations of the meeting were presented to the Senior Officials Meeting on Trade and Investment in late July 1996.

Background research and analysis for the document was carried out by The Brooker Group of Bangkok, Thailand and Intermatrix of London, United Kingdom. As part of the research process, extensive expert interviews were conducted of around 100 Asian and European business people on their investment activities, the challenges they face in doing business overseas, their perceptions on investment codes and principles, their evaluation of the proposed elements of the IPAP, and their experience with government investment-related promotion programmes.

Concurrently, a survey was carried out of the government agencies responsible for investment promotion and regulation. On the basis of a carefully-designed template along with additional desk research and consultation with partner authorities, this information was compiled into an inventory of Investment Promotion Programmes and Policy and Regulatory Reforms. Research was also conducted on investment-related elements of existing multilateral and bilateral agreements and overall Asia

Europe investment trends.

An “Initial Draft Asia Europe Investment Promotion Action Plan” was prepared by Thailand, and presented in October 1996 to the ASEM Business Forum held in Paris with a view to soliciting additional business sector input into the IPAP

The plan preparation process continued with the incorporation into the IPAP of all the business sector inputs and all comments from government representatives from both Asia and Europe, along with the development of more detailed descriptions of the main activities proposed under the IPAP based on discussions with selected experts. The Draft ASEM IPAP was distributed to all ASEM partners in January 1997 by Thailand for feedback. Between January and July, there was an ongoing discussion among the ASEM partners to finalise structure and content.

The draft document was reviewed and finalised at the second meeting of the ASEM Government and Private Sector Working- Group in Luxembourg on July 28-29, 1997.

### **The IPAP in the ASEM Co-operation Process and the Investment Environment**

3. The ASEM leaders have made significant moves to establish close dialogue on a wide range of political, economic, cultural, educational, scientific and other issues. Numerous follow-up measures and actions were laid out in the Chairman's Statement of the Asia Europe Meeting, Bangkok, 2 March 1996. However, the time frames within which these initiatives will be developed and the extent to which they will complement or build on each other are not yet clear.

In any case, based on the directives from the Bangkok Leaders' Meeting in March 1996, the IPAP is intended to focus on investment-related issues and on creating a business/government interface mechanism to deal with all aspects of business co-operation.

In preparing the planned activities for the IPAP, the perception that existing levels of investment flows between the two regions are too low or inadequate is an important issue for consideration.

#### On European investment in Asia:

Preliminary indications are that there already exists a reasonable base of European investment activities in developing Asia, when compared with the United States or Japan. FDI stocks in developing Asia by the end of 1993 were distributed as follows: European Union, 12.9 percent; United States, 14.1 percent, Japan, 21.0 percent. From 1986-1994, estimates are that the shares of the European Union and

the United States respectively were 10 and 11 percent. While the combined shares of both stocks and flows of the three main players have dropped over the period 1985-1993, this is mainly accounted for by the rapid increase of intra-developing Asia investment. Furthermore, the European share of FDI stocks fell by less than that of the United States, and the European share of FDI flows fell by considerably less than the shares of both Japan and the United States. Lastly, it should be pointed out that both stocks and flows of European FDI grew rapidly over the period, consistent with the steady trend towards liberalisation of trade and investment markets that has characterised East Asia over the past decade.

(Note: Please refer to hardcopy for Table of Figures for 'Foreign Direct Investment by the European Union, Japan, and the United States in Developing Asia' Source: UNCTAD, Division on Transnational Corporations and Investment, FDI Database. cited in Investing in Asia's Dynamism: European Union Direct Investment in Asia, UNCTAD 1996.)

In terms of relative importance in 1994, European outward FDI activities (excluding intra-EU stocks and flows) accounted for a greater proportion of world FDI outward stocks (31 percent) and flows (25 percent) than the estimated European shares in developing Asia (see above table for 1993 figures). European investors have not accorded the same relative importance to developing Asia as have investors from the United States and Japan.

European investors are seeking greater investment activities in Asia, with an initial focus on trading activities but with a willingness to undertake investment activities where necessary. On the trade side in particular, European total trade with developing Asia reached US\$ 212 billion in 1994, compared with US\$ 250 billion each for the United States and Japan. In addition, the trade activities of Europe with Asia are relatively balanced, in contrast to the large trade surplus of Japan and the trade deficit of the United States.

#### On Asian investment in Europe:

With the exception of Japan and recently Korea, Asian investment in Europe is relatively recent. Most Asian investors are not actively seeking, significant investment opportunities in Europe. They are more interested in obtaining technology and financing from European investors than in breaking into European markets. To achieve these goals they are willing to enter into joint ventures with European investors. In sum, there is considerable scope to increase the absolute levels of the European presence in Asia and vice versa. However, the potential benefits of programmes designed to enhance existing investments and build on the

investment relations and partnerships already in place should also not be underestimated or ignored.

While the focus of the IPAP will be on 'investment-related' issues, it must be recognised that trade and investment issues are closely connected and, in many cases, difficult to separate. Companies will normally trade before they invest, and investment activities generally stimulate trade. Indeed, the feasibility of investment is often based on the stimulation of exports from the home country or imports reducing production costs. It is expected that ASEM will seriously undertake concrete measures to achieve the goal set by the leaders of generating greater two way trade between Asia and Europe.

ASEM is a very new initiative and operational structures have yet to be developed. While some organisational steps have been taken such as the Government and Private Sector Working Group, Senior Officials Meetings, and the Business Forum, the relationship among them has not yet been clarified. At the same time, the basis for the co-ordination of actions, such as the IPAP, with existing relevant institutions is ad hoc and continuously evolving.

Lastly, it must be explicitly recognised at the outset that perspectives on an Investment Promotion Action Plan may differ between ASEM partners. Such differences might reflect a wide range of influences, including level of economic development, political-economic and cultural-economic priorities, role of government and the coverage of existing investment related programmes. However, significant moves towards consensus have been made and are reflected in the commitments and activities included in the ASEM IPAP.

For an initiative like the IPAP, which is both sensitive and multi-faceted, the preliminary stage of development of ASEM combined with the diverse characteristics of the

ASEM partners add a layer of complexity. Accordingly, to ensure that the IPAP fulfils its role, it is recommended that a well-defined co-ordination mechanism is put in place.

In particular, this calls for the early establishment by the ASEM Economic Ministers of the Investment Experts Group (IEG) suggested at SOMTI II. The IEG shall be under SOMTI, shall interface with the business sector through the ASEM Business Forum, and shall assist SOMTI in following up on the initiatives under both Pillar 1 and Pillar 2 of the IPAP.

## Principles and Objectives

### 4.1 Principles

The basic principles that will guide the overall implementation of activities under the IPAP, drawn mainly from the deliberations of the Asia-Europe Meeting in Bangkok on 2 March 1996, are as follows:

- a. Commitment to mobilising business sector resources and ensuring active business/government dialogue and co-operation in all ASEM investment-related activities;
- b. Commitment to the market economy and to necessary reforms;
- c. Recognition of the benefits of an open multilateral trading system;
- d. Commitment to non-discriminatory liberalisation and transparency in policy implementation in the trade and investment arena;
- e. Commitment to the concept of open regionalism, whereby economic relations between ASEM partners will be strengthened, while at the same time opening ASEM to trade and investment with the rest of the world;
- f. Commitment that all initiatives will be fully consistent with and supportive of the World Trade Organisation (WTO);
- g. Commitment that all initiatives will be fully consistent with other multilateral cooperation agreements involving groups of ASEM partners.

### 4.2 Objectives

The primary objective of the IPAP is to generate greater two-way investment flows between Asia and Europe through enhancing the investment climate between and within Asia and Europe.

To achieve this primary objective, the IPAP has the following subsidiary objectives:

- a. To strengthen business/government co-ordination and co-operation structures and mechanisms to ensure that perspectives and inputs from both sides are reflected in business-related activities of ASEM.

- b. To enhance Asia Europe business-related people-to-people contacts.
- c. To raise the investment profile of Asia in Europe and Europe in Asia by taking a more proactive role in cross-flows of investment in order to promote an equal and mutually beneficial partnership between the two regions.
- d. To build on and create synergy among existing programmes designed to promote Asia Europe investment activities, including government initiatives such as the European Business Information Centres (EBICs), Asia Invest, the European Community Investment Partners (ECEP), and business sector ones such as the World Economic Forum Europe-East Asia Summit and activities of chambers of commerce.
- e. To improve frameworks of investment policies and regulations within ASEM.
- f. To create linkages between the business sectors from each region that will allow them to benefit from and enhance the economic dynamism and synergies of both regions.
- g. To establish, if necessary, or enhance information networks and information sharing systems to promote investment flows between Asia and Europe.

## Scope and Activities

- 5. Based on the firm commitments of the ASEM Leaders and the principles and objectives outlined in the previous section, the ASEM partners resolve to translate the IPAP into concrete action through a series of practical activities.

### 5.1 Basic Criteria

The following criteria will influence the scope and implementation of the IPAP activities:

**First**, each activity must have some rationale to be considered as an ASEM project - some characteristic which distinguishes it from a purely country-specific or sub-regional issue.

**Second**, each activity must be of concern to investors and have a direct beneficial



impact on the investment environment.

**Third**, each activity should not duplicate activities expected to be covered by other ASEM projects or programmes, as presently laid out in the Chairman's Statement of the Asia Europe Meeting in Bangkok and as to be developed in the future.

**Fourth**, each activity should build on and not duplicate bilateral or multilateral projects or programmes already in place within the ASEM partners.

**Fifth**, the specific activities under the IPAP must be achievable and must not be too ambitious or too complex. In particular, the activities should be intrinsically sustainable and, to some extent, be able to continue under their own momentum. This aspect is especially important considering that ASEM is in its very early stages of development.

The IPAP will focus on a number of activities under two broad pillars, both of which involve a strong emphasis on government/business sector cooperation and coordination:

Pillar 1:

Investment Promotion, including, activities designed to facilitate and enhance investment and business. These generally involve a stronger relative contribution of the business sector with government playing a supporting role;

and

Pillar 2:

Investment Policies and Regulations, including all activities relating to the regulatory and legal framework governing the investment environment. These issues generally involve a strong government contribution, with the business sector providing consultative inputs.

Sector Coverage:

Another dimension of scope concerns the sectors of activities (i.e. manufacturing, infrastructure, services, etc.) to be covered by each activity. In principle, it is proposed that all sectors be covered unless there exist pressing or contextual reasons why certain sectors should be excluded or why certain initiatives are relevant only for certain types of activities.

A Note on Finance



The problems experienced with financing investment activities emerged as a major issue at the ASEM Business Forum (where it was emphasised by at least three of the five groups) and also as a concern of many of the businesses interviewed, especially in Europe.

The broad areas of concern that were identified are as follows:

- inadequate credit reference and risk assessment infrastructure;
- lack of guarantees, especially for large-scale infrastructure projects;
- lack of longer-term finance, especially linked to suppliers or concessions on infrastructure projects;
- lack of venture or seed finance, especially to support market entry activities of SMEs;
- difficulties in obtaining reasonable-cost finance from local banks to foreign companies, often due to problems of understanding and lack of established track-records and relationships.

In the interviews and subsequent discussions with a selected group of financiers, several key conclusions emerged:

- It is important to differentiate between the financing of large scale infrastructure projects, where the focus is on huge volumes of capital and strong government guarantees, and the financing of smaller-scale manufacturing operations, where the focus is much more on raising, the initial capital and subsequent working capital.
- There exist significant differences in perspective between the industrial and the financial sectors. The former feel that the problems are primarily related to the availability of finance, whereas the latter are more concerned with the existence of bankable projects, the maturity of the financial markets, and the possible problems caused by local banking practices and credit policies.
- The regulations on financial markets may be a potentially serious issue indirectly having a major impact on investment flows.
- There is the need to devote considerable efforts to understanding the issues relating to the availability and the application of financial resources and to

identify strategies to improve the situation.

In terms of the 'pillars' analogy, finance can be seen as the cement which holds the pillars together and which keeps them strong. Despite the complexities, it is important to keep the finance issue alive within the context of the IPAP, especially since it involves considerable elements of government/ business sector interaction, in a context where the business sector takes the lead, and the role of government is a supportive one, both in promotion and facilitation.

## 5.2 **Pillar 1 - Investment Promotion**

Under Pillar 1, three main activities are proposed for the IPAP. It is expected that these activities and their results will be kept under review by the proposed Investment Experts Group referred to above.

### Activity 1.1:

#### **ASEM Virtual Information Exchange - Meeting Information Needs**

##### *Rationale*

Most companies visited in Europe and Asia indicated strong interest in obtaining more information about business and investment issues/activities between the two regions.

##### *Basic Scope*

Currently, in most countries of Asia and Europe, Internet usage is increasing at a dramatic rate. Never before in the history of communication has such a technology developed so quickly and had such a far reaching impact. Internet has become a tool that accelerates the spread of information, creating hopes of a broad new impact for the betterment of society. It is estimated that over 50 million people use the World Wide Web; by the year 2000, several billion people will use it.

A search of the World Wide Web for programmes relevant to Asia and Europe uncovers mostly travel, trade and culture information, much of which is outdated and of little use. It is quite time consuming to search hundreds of web sites; no central repository of information, nor clear set of linkage for Asia Europe business-related information resources, exists.

As more and more business users rely on the Web as a source for business information, and as more and more users turn to the Web as the major source of

global information, it will become crucial for ASEM to position itself in the mainstream of this information flow. The WTO, European Commission, ASEAN and APEC have already accepted this medium as a primary means of information dissemination, and many countries have been developing extensive web sites already.

Building on the recent popularity and usefulness of the Internet World Wide Web as a central source of information, it is proposed that the IPAP co-ordinate the establishment of an innovative and extensive ASEM Virtual Information Exchange in the form of a Home Page where relevant information can be kept and appropriate links to individual country and programme information listed.

If necessary, in addition to the Internet, investment information could be disseminated through distribution of investment guidebooks, CD ROMS, or other media.

#### *Objectives*

The main objectives for establishing an ASEM Virtual Information Exchange are as follows:

- to act as a 'road map' for business and investment information related to ASEM partners, linking together existing web sites and information resources;
- to provide a centralised repository of information on ASEM programmes with links to individual country, business, investment and other relevant information;
- to provide databases of companies and investment opportunities in both regions for easy access by potential investors;
- to act as a 'virtual forum' for ASEM business people to explore business opportunities and to identify and communicate with potential partners.

#### *Coverage*

In order to help facilitate business and investment growth between Europe and Asia, the ASEM Virtual Information Exchange will provide a basic source of

information easily accessible to business people from around the world.

Business people have certain basic needs for information when considering doing business or investing in another country; the ASEM Virtual Information Exchange will meet these needs by providing the following types of information or linking to other virtual sites which contain the following information:

- basic macroeconomic data;
- how to start and operate a business;
- basic legal issues;
- tax structures;
- investment incentive schemes and other investment regulations;
- 'lists' of service providers such as real estate agents, engineers, lawyers, financiers, business consultants, market researchers, information technology consultants, etc;
- specific investment activities by sector;
- costs of doing, business, of labour and industrial land;
- appropriate government and agency contacts;
- business association contacts;
- contact information for major financial institutions;
- a virtual meeting room where business people can find potential business partners and/or list their particular business interests.

#### *Key Implementation Issues*

The establishment of the ASEM Virtual Information Exchange can build on the HomePage (<http://www.asem.inter.net.th>) established by the Thai Government for the original ASEM Heads of Government Meeting held in Bangkok in March, 1996.

However, it must be understood that as the Internet is a rapidly changing technology and environment, in order for the information to remain 'fresh', it must be collected and up-dated on a regular basis. Accordingly, the establishment and updating of the Home Page will necessitate the development of a dedicated team to design, research, input and update the information. In addition, new features of the

Internet must be considered and introduced into the Exchange on a regular basis as appropriate.

In addition to acting as a central repository of key links, the project as a whole should play a catalytic role both in identifying information gaps and generating, additional country-specific information to fill the gaps, and in assisting countries

which have not yet established a presence on the World Wide Web to do so. To improve the basic network infrastructure, attention should be paid to issues relating to building information technology networks within and among various ASEM partners.

Activity 1.2:

**ASEM Decision-Makers Roundtable - Promoting Partnership and Networking**

*Rationale*

Business leaders place considerable value on opportunities to network at high levels, and also on the ability to obtain practical and valuable information from contemporaries. To meet these needs, it is proposed to organise an ASEM Decision-Makers Roundtable for CEOs and top-level executives of large and medium-sized Asian and European companies.

*Basic Scope*

The Roundtable is conceived as an annual event (although it could be held more frequently if the demand is forthcoming), alternating between Asian and European venues, with participation by top level executives of large and medium-sized companies from the two regions. Its focus would be on investor cross-regional investment experience, specifically on problems faced and solutions found. The Roundtable is planned as a working environment for top level decision-makers, and would be most productive if participation is by invitation only. It will provide hands-on opportunities for the executives to interact with their counterparts from the other region, discussing both macro-economic issues of interest and nuts-and-bolts operating issues.

*Objectives*

The objectives of the annual Roundtable are:

- to offer 'learning' opportunities to Asian and European investors;
- to raise awareness about ASEM; and
- to provide networking opportunities to business leaders.

The agenda of the Roundtable will be sufficiently flexible to give participants free time to socialise and discuss business with other participants.

### *Coverage*

The Roundtable will be promoted and sponsored jointly by the ASEM partners, and organised and managed by specialists. Possible organisers might be publishers of Asian and European business media or prestigious Asian and European business schools with strong business links. The discussions will be led by academics or professional business consultants knowledgeable about Asia/Europe investment issues and with executive education experience.

The agenda of the Roundtable will incorporate analyses of major regional economic and political trends, but the core of the programme will be case studies addressing common cross-regional business problems and solutions.

In order to be most useful to participating executives, the individual Roundtable events may be organised by industry sector or by specific issue (such as human resources or project financing), to make the discussion more directly relevant to the interests of participants.

Examples of possible case study topics are:

- restructuring ASEAN operations to reflect an AFTA environment;
- concluding technology transfer agreements in China;
- managing human resources in Germany;
- establishing a consumer products distribution system in Vietnam;
- entering the UK property market.

The Roundtable would feature cocktail receptions, luncheons and dinners and other recreational activities where participants can freely interact.

The proposed length of the Roundtables is 2-3 days.

### *Key Implementation Issues*

- Establishing demand for the Roundtable by generating support within the ASEM business community;
- Financing the Roundtable. A high subscription fee commensurate with the prestige of the Roundtable and the stature of its participants is recommended;
- Success in promoting the Roundtable as a preferred event for CEO level business executives;

- Effective Roundtable management and planning; in particular the identification of top-quality resources to run the activity;
- Recruitment of high-quality discussion leaders;
- Provision of sufficient time and conducive environments for the participants to 'network';
- Relevance of the Roundtable to the specific business interests of participants.

### Activity 1.3

## **ASEM Business-to-Business Exchange Programme - Enhancing Inter-Cultural Understanding**

### *Rationale*

Business leaders from both Asia and Europe agree on the value of exchange programmes - for skills development, cross-cultural understanding, and business-to-business networking. It is proposed that exchange programmes between managers from Asia and Europe should be a major plank within IPAP, and would be in addition to any university-based or cultural activities under ASEM.

### *Basic Scope*

The overall objective of IPAP is to increase two way investment between Europe and Asia. Both European and Asian businesses believe that increasing importance needs to be given to sharing responsibilities for building closer people-to-people contacts between the two regions.

There has been a gradual increase in the number of professional, technical and academic exchange programmes which been developed at both country and regional level. Historically, many of these programmes have been oriented towards Japan.

In recent years, new programmes have been introduced which include ASEAN and Korea (see below).



Asian industry has highlighted skills development as one of the areas of IPAP which can provide the most value to their business. European industry has also expressed its support for increasing the scope of exchange programmes between the regions.

The experience of industry with current exchange programmes has provided input into development of the terms of reference for any programme which would be developed within the ASEM context. These have been reflected in the criteria below.

### *Objectives*

The objectives of the Programme are as follows:

- to create and strengthen strong-term relationships;
- to develop better understanding of foreign business practices;
- to serve as a launching pad for overall European or Asian strategy formulation;
- to enhance skill, managerial, and technological potential of partner companies;
- to raise the profile of European and Asian businesses in counterpart countries.

### *Coverage*

Although there are an increasing number of exchange programmes, the proposed ASEM Business-to-Business Exchange Programme is most likely to be successful either where it can fill a previously unidentified niche or where it can expand or enhance an existing programme. This may include linking the programme to the matchmaking service provided by the ASEM Virtual Information Exchange; or it may be more directly linked to strengthening partner relationships.

Based on discussions with European and Asian industry a number of key criteria have been identified which form the base for developing and assessing the ASEM Business-to-Business Exchange:

- **Avoid duplication** and build on existing EC-Asia exchange programmes;
- **Add value to business:** the programme must be of a tangible value to the business. This is likely to occur if the exchange is focused on a business project of short-medium relevance;
- **Duration:** programmes should run from two to six months, minimising

disruption to business activity. There has been a concern that existing programmes have been too long.

*Current Programmes Offered (Regional Level)*

The following regional programmes offered between Europe and Asia have been identified based on a very preliminary survey of existing programmes. A comprehensive survey of current business-to-business exchange programmes in Asia and Europe will need to be conducted, both regionally and at the country level.

This will help identify the gaps and increase the likelihood of the programmes being targeted effectively with strong participation by the business sector.

*Existing Exchange Programmes and Descriptions*

Europe to Japan

- Executive Training Programme (European Commission):  
1 year training, 6 months in-house training. 40 people/yr. Set up as a proactive response to the traditional Japanese assertion that European companies fail in the Japanese market because they make insufficient efforts to succeed there.
- Sector Management Training Programme (EU-Japan Centre for Industrial Co-operation): 9 or 13 week seminar in EU-Japan centre, followed by 2-3 company phase for executives with more than 10 years experience.
- Topical Mission Programme (EU-Japan Centre for Industrial Co-operation):  
2 week intensive seminar on specific topic of Japanese business.
- Manufacturing Technology Fellows Programme (Commission/JETRO):  
Aims to improve skills of production engineers, with stay in Japanese companies for 7-12 months.
- Alternative Energy Programme (EU-Japan Centre for Industrial Co-operation, Commission, MITI): Aims to intensify for co-operation, for 10 European energy experts over 10 days to 2 months.
- Science and Technology Fellows Programme (Commission):  
Emphasis on information science and industrial technology. 15-24 months stay including 3-6 month language course, for young scientists conducting

research in Japan's universities or companies.

#### Japan to Europe

- Vulcanus Programme (Commission and MITI): Aim is to help EU companies forge closer links with Japan, through enabling an EU enterprise to host, for 8 months, a promising Japanese student selected by the Commission. Wider aim is to improve mutual understanding and encourage globalisation (kokusaika).

#### Reciprocal Programmes: EU-ASEAN

- JEM (Commission): EU-ASEAN business exchange programme. A new programme for 300 European candidates with 3 years business experience to work in ASEAN companies. (675 ASEAN candidates will come to Europe.) Targeted sector are: retail, electronic information systems, banking and telecommunications.

#### Other Programmes

- ASIAN EC Energy Management Training and Research Centre (AEEMTRC)
- Asia Urbs: aims to support co-operation between local authorities between Europe and Asia, promoting sustainable initiatives involving both government and business partners.

Source: Compiled from various sources.

#### *Key Implementation Issues*

There are a number of lessons that have been learned from feedback from many of the current programmes.

First, cost can be a deterrent, not only for SMEs, but also for larger organisations. Careful attention to pricing, programme duration and availability of funding will be important factors in maximising participation. A combination of business sector and grant aid are likely to be required.

In many organisations, commercial and technical information may be sensitive or highly confidential. The exchange programme will need to be structured in such a way to minimise risk to the host company and to protect any proprietary information. The screening of candidates and parent organisations (where

applicable) will need to be carefully managed to protect the host company.

In the spirit of promoting cross-regional relationships and continuing dialogue, there should be no 'restrictions' imposed on participants in ASEM-related exchange programmes.

In light of the above, there is a need to increase and widen co-operation programmes between Europe and Asia in general and between specific partners or among sub-groupings in order to promote an equal and mutually beneficial partnership.

### 5.3 **Pillar 2 - Investment Policies and Regulations**

In adherence to the general principles of IPAP and considering the overall objective to 'generate greater two-way investment flows between Asia and Europe through enhancing the investment climate', the activity under Pillar 2 shall address the improvement of investment policies and regulations.

#### Activity 2.1

#### **High-Level Dialogue on Key Investment Issues**

##### *Rationale*

This activity will take account of the views expressed by ASEM governments and business.

European opinions, expressed by both government and business, stress the importance of a sound, coherent and transparent legal framework for FDI, based essentially on non-discrimination (national treatment and most favoured nation treatment) and state-of-the-art investment protection, as found in many bilateral investment protection treaties recently concluded (4). However, many (but not all) Asian ASEM partners, and a relatively high proportion of Asian companies, especially from the ASEAN Member States, consider an extended discussion on the key regulatory principles as 'irrelevant' or of 'low interest'.

(4) It should be noted that the survey results clearly indicate that the policy and regulatory framework may serve to delay or reduce the volume of investment flows, especially flows from Europe to Asia, in the view of private investors, these barriers do not pose an absolute barrier to investment.

But even in Asia, the majority of companies did judge regulatory principles to be 'important' or 'somewhat important'. In essence, the distinction is between capital exporting companies, who require or at least would prefer, a sound regulatory environment, and capital importing companies, who do not see this as a priority. And in East Asia today, there are increasing number of firms seeking investment opportunities outside their home country.

Given the views expressed and the general informal character of ASEM, IPAP will seek to improve investment policies and regulations through a practical approach based on a mutually beneficial dialogue and consultation, and not on negotiations within the ASEM process. This approach will, in particular, address obstacles to investment as identified by the business sector.

#### *Objectives*

The key objective of this activity is to facilitate the free discussion of specific investment issues of common interest. High-level fora already exist at the senior officials' level (SOMTI) and at the ministerial level (EMM). The proposed Investment Experts Group (IEG) under SOMTI, as mentioned earlier, will play a key role in facilitating these discussions and should meet regularly, normally back to back in advance of the SOMTI. The IEG shall be open for consultative inputs from the business sector (e.g. ASEM Business Forum).

#### *Coverage and Implementation*

The proceedings of the IEG should reflect the informal character of the ASEM process with emphasis on dialogue and co-operation. The IEG will pursue its aim by addressing specific issues of common interests, that the business sector has encountered, such as:

- existing procedures and mechanisms for the settlement of business disputes, including conciliation, mediation and arbitration;
- framework for standards setting, including mutual recognition and certification;
- trademarks, copyrights, and the protection of intellectual property rights;
- the environment for technology cross-flows and obstacles to technology transfer;
- ASEM support for ongoing work on investment in other fora, in particular WTO;
- possibility to consult on orientations in the field of investment which may

arise from an analysis of the investment environment, on a basis of consensus.

The activities of the ASEM IEG will, of course, take into account activities of other multilateral fora. The work of the IEG should be seen explicitly as part of a process of enhancing dialogue and understanding between the government and business sectors of ASEM partners, as well as means to implement practical measures to facilitate investment flows. They should also be carefully planned taking into account related activities of multilateral organisations such as the WTO, OECD, UNCTAD, and others.

29 July 1997