



3rd Asia Europe Business Forum

**Report to Summit Leaders by
Sir Martin Laing,
Chairman of the British Overseas Trade Board
London, 3 April 1998**

1. The Asia Europe Business Forum has met four times since it was set up at the first Asia Europe Summit –firstly in Paris under the Chairmanship of M. Ortoli, in Bangkok under Mr Sarasin, now in London and next year in South Korea under Mr Park's Chairmanship. It has completed much useful and practical work, on which I am going to report to you briefly. I should also like to introduce Sir Charles Powell, who is acting as our reporter.
2. Before that, let me make a general comment. Business is at the heart of the Asia-Europe relationship, indeed its main driving force. By giving the business community a leading role in shaping the relationship, you have taken an imaginative and positive step and one warmly welcomed by business in both regions. Nothing symbolizes this new departure better than today's unprecedented encounter between Heads of Government and business leaders. We suggest this new partnership is a model for consultation between Government and business that should be followed more widely.
3. Our work over the past two years has focused on three broad themes, all concerned with maximizing the flow of trade and investment between Asia and Europe.

First, we have drawn our own direct experience as businessmen of remaining barriers to the expansion of trade and investment between Asia and Europe. We encourage Governments to negotiate these away. A great deal of progress has been made over the past two years for which we are grateful. Our Working Group on trade has produced proposals for reducing remaining non-tariff barriers, which we shall table formally;

Second, we have put forward a considerable number of specific policy initiatives which we believe would enable us to maximize trade. Most of them require action by Governments and we hope you will examine them and give them support;

And, thirdly we have brought more business leaders from the two regions into direct contact with each other, in the confident belief that this is the best and most creative way to forge new partnerships a new ideas for doing business. The results will not be apparent immediately, but we believe that trade and investment will increase steadily as a result of our dialogue.



4. We started our work two years ago against the backdrop of remarkable economic growth in Asia. The recent downturn since the middle of last year is a setback. But we are confident that the factors and qualities which led to Asia's rapid growth are as valid today as they ever were: and that after a short period, growth will resume. We urge Governments to work together and with the international financial institutions to support a rapid recovery. Europe must keep open its markets to imports from Asia, while Asia opens its markets further to foreign investments. There is also a critical need to provide more and different types of finance, both pre-shipment finance for exporters and finance to enable Asia to import, so that trade can recover. The private sector must play its part in this. Europe's companies will find opportunities in the present situation to step up their involvement in Asia's markets, in particular opportunities to invest and to provide technical assistance and training to Asian companies in specific areas. Now is the time for Europe to demonstrate its commitment to Asia.
5. The AEBF is united in believing that the way to maximize trade and investments is through opening markets, liberalizing financial services and investment conditions, establishing clear rules of the game for investment, based on transparency and non-discrimination, and strengthening of banking and financial regulations. The Forum is encouraged that these goals are widely shared by Governments and are being progressively implemented. The AEBF wants to see the momentum of market opening and liberalization maintained, as the best way of multiplying new business opportunities in both directions.
6. Within these broad guidelines we have given particular weight to three important themes. The first of these is to get far more Small and Medium Enterprises (SMEs) actively involved in business between the two regions. This is a major task and it needs a wide range of policy instruments. These include much improved dissemination of information about business opportunities, better access to trade finance and venture capital, and help with identifying potential business partners. Small Business Centers have been established in many capitals to support SMEs and help them to work out appropriate strategies. We would like to see this network enlarged. Another imaginative initiative that has been launched during our present Conference is ASEMConnect, an electronic network to increase the amount of information about business opportunities available to SMEs in Asia via the Internet. Finally, I would like to mention that Italy will host a major conference on SMEs next month.
7. Our second priority theme has been to promote an encouraged European investment in Asia's huge infrastructure requirements. Members of the AEBF have done extensive work on project preparation, on developing standard legal frameworks for major infrastructure projects, and on project financing. A joint Asia-Europe Committee on Infrastructure has been set up and is today presenting a paper to Governments on mitigating risk, and therefore enhancing private sector participation in infrastructure projects. We believe that investment in infrastructure can be an important means to help the



recovery of Asia's economies, and look forward to discussing our ideas and proposals with the appropriate national authorities.

8. The third priority has been to encourage cooperation in financial services, in order to make it easier to raise funds for investment. Our work here has focused on using European expertise to help develop local capital and money markets, as a source of long-term finance. We have also given our strong support to ASEM's Investment Promotion Action Plan.
9. The Business Forum has made a substantial number of further recommendations, which will be summarized briefly by my colleague Arsa Sarasin of Thailand who chaired the second Business Forum in Bangkok last year. We have concentrated on making these recommendations specific and deliverable. As business people we are interested in results more than rhetoric.
10. The Business Forum has continued its work in parallel with this summit, this time applying the principles and mechanisms identified at our earlier meetings to specific sectors, notably power, water, transport, telecommunications and financial services. Some broad themes have emerged, which apply across all the sectors which we examined: First: a need for improved public-private partnerships, in which the private sector is able to make an acceptable return on its investment. Second: clear and transparent regulation, as well as legal certainty. This is important to give companies the confidence to make long-term investments, as well as for developing stronger banking and financial services sectors in Asia. Third: a concern to protect the environment, bearing in mind the high cost of failing to take adequate measures. And fourth: further relaxation of visa requirements to enable businessmen to travel more freely, as well as more efficient customs procedures to avoid costly delays.
11. Some specific proposals were also put forward. To save time I shall mention only one, establishing a working group between Governments and the Private Sector to address the crucial issue of improving water quality and water services, coupled with a public awareness program to educate customers in the real cost of water services and thus their willingness to pay for such services.
12. In conclusion, we have set ourselves a challenging program of future work running up to the next ASEM Summit in South Korea, to be undertaken by a number of task forces and separate conferences, all designed to come up with ideas to increase both business and investment. We would also like to see a permanent mechanism which links the Business Forum directly to the group of Senior Officials -SOMTI- so that business and Government can work together in the intervals between ASEM Summits. We hope that you, the Heads of Government, will endorse these activities and give them your support and encouragement. And if I may plagiarize a little: we are from business and are here to help you!

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