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CLOSING REMARKS BY MINISTER BAJUK AT THE ASEM CONFERENCE

»Asia, Europe and the Future of Regional Economic Integration«

JEJU (KOREA), 15 JUNE 2008 @ 18:00

Dear Fellow Ministers, Colleagues, Ladies and Gentlemen!

It is indeed an honour and a privilege to visit this wonderful island and share with you some closing remarks on the issue of economic integration in Asia, in Europe and between our economies. I would particularly like to thank our co-organisers – the Korean Ministry of Strategy and Finance and the European Commission – for organizing this event, which in itself is a celebration of the integration between our two continents and a very topical introduction to tomorrow's ASEM Finance Ministers Meeting.

It would be hard to deny that the ASEM process itself was a powerful vehicle of integration: when our leaders met for the first time in 1996, there were 10 Asian countries and 15 EU Member States at the table. Today, we have 16 countries from Asia and 27 from the EU, which represents an increase of 72%. 12 years of our fruitful partnership have given birth to more than 100 different initiatives: 14 political, 51 initiatives in the economic remit and 41 in the area of social and cultural activities. And we should be proud to note that the list is about to include new initiatives and joint areas of work, such as the Jeju initiative on the mutual cooperation for the private-public partnerships.

This close co-operation proves that by working with one-another we can learn from eachother to the benefit of our citizens. In this regard today's conference shed some light on particular aspects of European economic integration.

Europe is commemorating two major milestones in its economic integration this year: the 40th anniversary of the setting up of customs union and a decade since the decision to launch the euro as a single currency and the tenth anniversary of the establishment of the European Central Bank (ECB). We cannot underline enough the success of the single currency in economic and political terms. Euro has provided the necessary stability in times of turmoil. It has boosted the European economy, enhanced job creation and prompted further integration in the financial sector. At the same time, the independence and a clear mandate of the ECB have played a major role in anchoring the global success of the euro.

Monetary integration in Europe could hold parallel lessons for Asia. As Professors Park and Wyplosz show in their paper, in the run up to the single currency, Europe opted for pooling of exchange rate reserves, exchange rate arrangements to reduce excessive volatility and a common market for debt instruments.

There can be little doubt about the fact, that regional integration makes sense when the economic arguments are supportive. This was the case for Europe and we can be delighted to note similar developments taking place in Asia. The regional Economic Review and Policy Dialogue and the multilateralisation of the Chiang Mai Initiative are a case in point. They build on the existing areas of co-operation and enhance a decade of experience.

These were in essence “market-driven instruments” as their origins date back to the aftermath of the Asian crisis. In this sense, they were prompted by a crash in the market, just like the most decisive steps in the European integration came as a response to adverse effects. I sincerely believe time will have to come when we, policy-makers, act with more hindsight and implement the policy measures that economically make most sense. With this notion, I call for more global and regional integration simultaneously – something what we in the EU like to call “an ever closer Union”.

Let me offer an example from my own country, Slovenia. We were the first of the new EU Member States to adopt the euro. This was predominantly the case because the economic arguments were calling for a swift euro adoption:

- Slovenia is **a small and very open economy**, with exports reaching some 70% of our GDP.
- About 2/3 of these exports are to the euro area and the same holds true for imports.

- And most importantly, the economic analysis supported the notion that we form an **optimal currency area** with the euro zone to the extent that our business cycles are synchronized, we have a similar economic structure and do not experience asymmetric shocks.

Quite frankly, this does not imply that there was anything wrong with our previous currency at the time, the tolar. To the contrary – it was a very good currency which acted as a powerful stabilizer in the crucial years of transition. Today, almost everybody in Slovenia agrees that in the end we opted to change a good currency for an even better one, precisely due to the reasons outlined before.

What I would like to convey by pointing to the example of my own country, is that we should not be afraid of more integration provided that the economic arguments are in place. And what the economics is telling us is that business cycles in ASEM countries tend to be increasingly synchronised, many of the Asian countries exhibit similar structural characteristics and most of their economies are relatively open in terms of exports. The conditions are thus ripe for more integration and we should not be waiting for another crisis before we take the next step.

We have had the opportunity today to examine three areas of integration within Asia and Europe and between our two continents. In terms of trade, we can conclude that its levels of integration are similar in Asia and in Europe. Financial integration is more advanced in Europe, yet we have every reason to look forward to promising results in this area also in Asia. Where differences do remain is the institutional integration, but here we should respect the heterogenity and its circumstances.

In conclusion, allow me to note our firm belief that ASEM countries exhibit an enormous potential and that Europe should be honoured that our Asian partners are willing to learn from our experience. And this should include the successes as well as the shortcomings. Afterall, the mistakes of the others are the least costly learning experience.

We strongly believe the achievements over the last 12 years of our co-operation are remarkable and on this basis we can look into the future and the challenges we are facing with justifiable optimism.

Thank you!