



## **12<sup>th</sup> Asia-Europe Business Forum Chairman's Statement**

Brussels, 4 October 2010

1. Two years after the October 2008 Asia Europe Business Forum (AEBF) in Beijing, the 12th edition of the Asia Europe Business Forum was held on 4 October 2010 in Brussels, in parallel with the ASEM 8 edition. The Forum was chaired by Mr. Herman Daems, Member of the Board of Directors of the Federation of Enterprises in Belgium (FEB) and President of BNP Paribas Fortis. The FEB coordinated this event, with the support of a private sector representative in each ASEM partner country.
2. Given the growing level of financial integration between Europe and Asia, the importance of the financial crisis and the challenges and opportunities it has created, the 2010 edition has been considered a major opportunity to bring together high level players in the European and Asian financial world. The AEBF provided a forum for expression and debate around the theme of “Financial Services Industry: Opportunities and challenges for Asia and Europe”. A selection of top executives from the Asian and European financial sector and from industry at large were invited to take part.
3. The high level Asian and European participants observed that the financial and economic crisis shook a large part of the world, but that signs of recovery have been emerging in recent months. Coordinated actions taken by governments and monetary institutions have played an important stabilizing role. However, the crisis has left most countries and economies with important challenges and the expectation of a relatively long time before the global economy returns to its pre-crisis level. Furthermore, as the recovery is fragile, the situation does not afford complacency.
4. The current circumstances call for caution and a determination to act sensibly. An increased interdependency makes uncoordinated unilateral communications and actions counterproductive and potentially detrimental to all. We call on the ASEM partners to strengthen the economic and financial ties, not only for the recovery from the current crisis, but also for the future development of our economies.

### **Financial Recommendations**

#### **Restoring Financial Stability**

5. Restoring stability within the financial and commodities markets in the short term is a key element to achieve sustainable economic growth. Each ASEM partner should

recognize this as a common objective. Efforts undertaken in a variety of international forums, including the G20, the Financial Stability Board and the Basel Committee, to organize an internationally consistent regulatory and supervisory framework should be continued. Both Asian and European interests need to be well represented in these forums.

The goal must be to establish an internationally consistent and sustainable basis for financial markets and the economy as a whole, avoiding overregulation and preserving a favorable climate for financial innovation. Ensuring a level playing field at global level for financial services is essential and the risk of regulatory arbitrage should be contained, but any new regulation may reflect different conditions in different countries and regions.

Furthermore, the impact on the real economy of any new taxation mechanism on financial markets must be duly assessed before it is brought into force, particularly in respect of the impact on competitiveness.

6. At the same time, recent events highlight the importance of sustainable public finances. Business leaders from Asia and Europe welcome the commitment of State and Government leaders to put in place credible, properly phased-in and growth-friendly plans to deliver fiscal sustainability. Those countries with serious fiscal challenges need to accelerate the pace of consolidation whilst keeping macro-economic developments under constant review. This should be combined with efforts to rebalance global demand to help ensure growth continues on a sustainable path.

### **Towards an integrated market for Financial Services**

7. Both Asia and Europe have benefited a great deal from trade integration. Akin to trade integration, essentially, the end goal of financial integration is to establish a freer rule-based flow of finance. On the condition that the associated risks of financial integration are anticipated and well managed, greater financial integration would further enhance the competitiveness and dynamism of our regions, as was concluded during the ASEM conference on the sustainability of the Asian growth model; a new Asian growth model (Kuala Lumpur, October 2009).
8. Regional financial integration has made important progress in Asia in the previous years. Though well advanced in Europe, it can still be improved. We call on the Heads of State and Government to further this objective, to see that the trend towards regional integration is not reversed in the aftermath of the financial crisis and that it is accelerated in the future.
9. Financial linkages between Asia and Europe need improvement. Bilateral and regional agreements might serve as a conduit for further liberalization of trade in financial services.

### **Serving the Needs of a Changing World**

10. The International Financial Institutions (IFIs) have been an important part of the global response to the financial and economic crisis. But these institutions also have a crucial role to play in fostering development. Asian and European business leaders therefore welcome the G20 leaders commitment to strengthen the legitimacy, credibility and effectiveness of the IFIs to make them stronger partners in the future.

11. The Financial Services Industry must continue to serve the needs of our changing world. Consensus was achieved on the need to support SMEs and micro enterprises, in particular financing SMEs active in trade and investment between Asia and Europe. On this point, however, business leaders from Europe and Asia would like to point out that the counter-party credit risk proposal and the treatment of trade finance for capital requirement purposes proposed in Basel III could adversely impact trade flows between Europe and Asia. Similarly, policymakers need to encourage the financial services industry to fully contribute to sustainable development and to offering solutions to the challenges resulting from climate change by ensuring appropriate and clear framework conditions apply.

### **General recommendations for promoting a Business-Friendly Environment**

12. In addition to the previous financial recommendations, business leaders from Asia and Europe also call on the ASEM Heads of State and Government to go forward with the promotion of a business-friendly environment for our enterprises to prosper.
13. In this regard, it is of interest to society at large that European and Asian businesses – be they from the financial industry or not, be they large multinationals, SMEs or micro enterprises – can thrive in a healthy, stable and predictable business environment, thus fully realizing the potential of their entrepreneurship. To that end, it is of principal importance that governments resist protectionism and economic nationalism in any form. Bringing the WTO Doha Development Round to a balanced and ambitious conclusion as soon as possible on the basis of progress already made, would create the necessary confidence to work in a healthy, stable and predictable economic environment, where obstacles to trade in goods and services as well as investment will be removed.

Furthermore, it would send a strongly positive signal that governments can work together effectively to reinforce and update a central pillar of the international economic system. Bilateral and regional agreements can complement the multilateral process.

14. Furthermore, the AEBF is united in believing that the way to maximize trade and investments is through opening markets, liberalizing financial services in a sustainable way and establishing clear rules of the game for investment, based on transparency and non-discrimination. 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 lying before Asia and Europe.
15. The protection of intellectual property is a vital element in encouraging research and innovation, international trade and investment, and sound economic growth and development. We therefore call on the ASEM leaders to establish and maintain a strong as well as a cost effective patent system and enhance enforcement of patents in order to safeguard fair legal procedures and to ensure that proper licensing principles are followed.
16. Cooperation in the area of R&D especially in the field of life science and health care industry should be encouraged between all ASEM countries. Counterfeiting remains an important issue of concern both in Europe and Asia. In addition to undermining IPR, counterfeiting poses potentially serious threats to human health. AEBF

underlines the need for policies of sharing information on these practices, including a mechanism of information exchange between governments in the area of counterfeit medicines, to allow more effective criminal proceedings to be taken.

Furthermore, recognition of a GMP (good manufacturing practice) certification by ASEM countries would add value.

17. As energy is fundamental to our civilization, and economic and social development is dependent on reliable, affordable and clean energy it is of vital interest to our society to initiate and implement a sustainable energy strategy. In this perspective the role of governments, supported by the private sector, is essential to establish proper incentives to promote energy efficiency and the development of alternative energy technologies, as well as cooperation programs and ways of collecting and transferring information on new and better solutions for energy efficiency between all ASEM members. Furthermore, the European and Asian economies are highly dependent on a range of commodities. Europe and Asia have common interest in enhancing R&D cooperation aiming development of commodity substitution and introduction of cleaner technologies.
18. ICT is a significant instrument for all areas of society, business, public administration and citizens. Therefore, AEBF recommends to ASEM governments the adoption of ambitious and compatible national ICT policies. These policies should be directed to facilitating market access by ensuring a framework that favors competition, intensifying international co-operation in enabling open access, digital interoperability and convergence, and the promotion of international standards. The AEBF underlines the importance of data protection and network security issues that need to be tackled nationally and at ASEM level. The application of ICT in SMEs should especially be encouraged.
19. Asian and European business leaders also underlined the need to strengthen interregional cooperation between SMEs. Bilateral policy initiatives to support SMEs cooperation between the two regions have been underway, but not in a concerted manner.
20. Finally, climate change is one of the most serious challenges. It is global in both its causes and impacts, and requires cooperative action to reduce green-house gas emissions on a global basis.

The private sector is the most important innovator and investor in clean technologies but can do more if provided with clarity, predictability, flexibility and a fair level playing field achieved through a global framework agreement. Business leaders from Europe and Asia hope that the next UN Climate change Summit in Mexico at the end of this year will be an important further step in the process towards a global agreement and that it will provide business with the signals it sought to unleash investment in the development and deployment of cleaner technologies on the necessary scale.

### **The way forward**

21. The European and Asian partners in the Asia-Europe Business Forum believe that useful initiatives have to be taken in order to bridge the 2010 and 2012 Business Forum. In that respect the contact points of all ASEM member countries will be

invited to make suggestions in order to undertake, inter alia, business encounters in the framework of ASEM in the period 2010-2012, as well as to initiate, in close cooperation with the employers' organization in charge of the 2012 venue, the identification of the themes that would suit the best the purposes of the AEBF.