

Fourth ASEM senior officials meeting On trade and investment (SOMTI IV)

Co-Chairmen's Summary

Singapore, 11-13 February 1999

Introduction

1. The fourth ASEM Senior Officials Meeting on Trade and Investment (SOMTI IV) was held in Singapore, 11-13 February 1999. Co-chaired by Dr Finian Tan, Deputy Secretary of the Ministry of Trade and Industry from Singapore, and Mr Karun Kittisataporn, Director-General, Department of Business Economics, Ministry of Commerce from Thailand, the meeting was attended by senior officials from all 26 ASEM partners.

2. As the first SOMTI meeting to be held after the second ASEM Summit (ASEM II), SOMTI IV advanced work on economic initiatives discussed and endorsed at ASEM II, building on the results of ASEM II in London as ASEM partners worked towards the 2nd Economic Ministers Meeting (EMM II) and ASEM III. The agenda included, inter alia: Trade and Investment, Interaction with Business (Asia-Europe Business Forum (AEBF)), WTO matters, Review of other ASEM Economic Initiatives, Global Economic Developments, Work Programme, Asia-Europe Vision Group (AEVG), and EMM II. The meeting discussed how AEBF's linkage and interaction with the ASEM government sector could be strengthened. The meeting also considered how the momentum of business-to-business exchanges created by the Asia-Europe Business Conference (AEBF) in Jakarta in 1997 could be further developed by AEBF. Progress of ASEM efforts with regard to the economic and financial situation in Asia was also discussed.

Trade & Investment

3. At ASEM II, the Leaders adopted the Trade Facilitation Action Plan (TFAP) and the Investment Promotion Action Plan (IPAP), including the establishment of an Investment Experts Group (IEG). Senior officials welcomed the work being undertaken to implement the action plans and underlined that they would contribute to work undertaken in other fora such as WTO.

4. Senior officials reviewed the work carried out to-date under the various TFAP priority areas and endorsed the proposed follow-up activities. They welcomed the key findings of the Meeting on Standards, Testing, Certification, Accreditation and Technical Regulation held in Brussels, 30 Sep-2 Oct 98 and the Seminar on SPS & Quarantine held in Chiangmai, 3-5 Feb 99. They also looked forward to the following TFAP Meetings and Seminars: Seminar on simplification and harmonisation of Customs Procedures in Manila (23-25 Feb 99); Meeting on Standards, Testing and Certification in Korea (10-12 March 99); Seminar on Intellectual Property Rights in France (June 99); Seminar on Public Procurement in Germany (14-15 September 99); and the Seminar on Distribution Sector in Belgium (September 99). 5. Senior officials emphasized the importance of expediting work under each TFAP priority area and urged shepherds and facilitators to work towards substantive progress on TFAP by EMM II. They welcomed the fact that at least one Meeting/Seminar would have been held for most of the TFAP priority areas before the next SOMTI and urged shepherds and facilitators to ensure that a first series of meetings and seminars be concluded before EMM II.

6. Senior officials welcomed the results of the 1st IEG Meeting (IEG1) held in Evian, France on 23-24 Nov 98 and the 2nd IEG Meeting (IEG2) held in Singapore on 11-12 Feb 99. They reviewed and endorsed the reports made in relation to implementing the ASEM Investment Promotion Action Plan (IPAP), and discussed the crucial role of FDI in the Asian context and its contribution to growth. They also discussed the possible contributions of IPAP to the investment promotion efforts of ASEM economies. Senior officials welcomed the decision made at IEG2 to compile and submit through SOMTI V to the EMM II a factual summary of those national investment promotion and policy initiatives which have been found to be most effective in promoting inward investment flows. They noted and expressed satisfaction at the steps taken so far to implement IPAP, including:

The prototype Virtual Information Exchange Website being developed by the European Commission;

The draft report on existing ASEM business to business exchange programmes;

The valuable summary of responses to the IEG questionnaire;

The sharing of experiences based on case studies and the exchange of views on investment policy reforms of ASEM partners, as well as on general investment policy issues such as National Treatment, Privatisation, and Technology Transfer;

The opportunity that the IEG provides for an informal, frank and educational exchange of views on investment issues.

They also urged action to be taken by ASEM partners to update their national websites and link to the Virtual Information Exchange homepage.

7. Senior officials emphasised the need to maintain a balance between Pillars 1 and 2 for the future activities of the IEG. They also agreed on the need to ensure optimal linkages between IPAP proposals and existing ASEM initiatives - especially on the business side - so as to ensure co-ordination of ASEM activities as well as allow work to be carried out in a synergistic fashion. Examples of such linkages include: (i) IPAP's ASEM Virtual Information Exchange Website and AEBF's ASEMConnect; and (ii) IPAP's ASEM Decision-Makers' Roundtable and AEBF. Senior officials noted that the 3rd IEG Meeting would be held on 5-6 July 1999 in Brussels. They also welcomed the decision of the Federation of Korean Industries to hold the first ASEM Decision-Makers' Roundtable on 1 October, 1999 in Seoul in conjunction with AEBF IV. They also noted the visits of high-level European and Japanese business missions to Asia that have taken place since ASEM II, for the purpose of enhancing business contacts and encouraging investments into Asia.

8. Senior officials emphasised that regular communication should be maintained between TFAP/IPAP shepherds and appropriate ASEM national contact points.

Interaction With Business: Asia Europe Business Forum (AEBF)

9. Senior officials agreed on the importance of enhancing the linkage between the Asia-Europe Business Forum (AEBF) and the Government Sector. They welcomed the paper on "AEBF-Government Sector Linkage" by Singapore and France and endorsed the following recommendations in the paper:

- i. To enhance Dialogue between AEBF and the Government Sector, AEBF contact points should be identified. These contact points could, if the need arises, be invited to participate in selected sessions during SOMTIs as well as relevant TFAP, IPAP/IEG and other similar meetings. The exchange of views could also occur electronically. Flexibility will be given to AEBF as to whether they want to send AEBF contact points to these meetings.
- ii. To enhance AEBF private sector inputs on the various ASEM economic initiatives to the senior officials, the alignment or focusing of AEBF discussions on ASEM economic initiatives was encouraged.
- iii. It is proposed that the SOMTI co-ordinators and AEBF contact points exchange views on the AEBF recommendations in between SOMTIs and EMMs. SOMTI co-ordinators should:

Prioritise AEBF recommendations for consideration by SOMTIs and EMMs and propose how they should be followed up on. Where possible, they should be channelled to existing ASEM work groups (e.g. TFAP facilitators, IPAP IEG) for follow up action.

Monitor and report on the progress of endorsed AEBF initiatives to SOMTIs and EMMs.

- i. SOMTI should give an account to the business community on the views they have taken on new AEBF recommendations, and provide an update on the progress of recommendations previously endorsed.

10. Senior officials also noted the results of the 1st Steering Committee meeting held in Seoul on 17-18 Dec 1998 in preparation for AEBF IV to be held in Seoul on 29 Sep-1 Oct 99. They took note of the decision to

establish the TFAP and IPAP Taskforces to discuss issues pertaining to the implementation of TFAP and IPAP. These taskforces could serve as a platform for the private sector to provide their inputs to senior officials regarding the implementation of TFAP and IPAP. Senior officials agreed that SOMTI V, AEBF IV and EMM II would be key milestones to review the progress of the recommendations endorsed for enhancing the AEBF-Government Sector linkage. They also agreed that SOMTI co-ordinators would, in consultation with AEBF, follow up on the endorsed recommendations and report on their progress at SOMTI V. They underlined the need for business representatives to make the required administrative arrangements very quickly and to ensure continuity between the business fora.

WTO-Related Issues

11. Senior officials reaffirmed the primacy of the rules-based Multilateral Trading System embodied in the World Trade Organisation (WTO). They acknowledged the significant contributions the WTO and its predecessor, the General Agreement on Tariffs and Trade, had made to world prosperity and development in the last five decades.

12. Senior officials expressed concern over the rise of protectionist pressure in the wake of the financial crisis. They stressed the importance of continued implementation of the trade and investment pledge made at ASEM II which will contribute to maintaining a free and open trading environment to allow for the quick recovery of affected economies and to prevent the crisis from deepening and spreading. In this regard, they confirmed their resolve to keep their markets open and rejected the use of protectionist measures, and urged other trading partners to do likewise.

13. Senior officials also emphasised the importance of strengthening the Multilateral Trading System, to enable it to make the maximum possible contribution to economic recovery and growth. The Third WTO Ministerial Conference (MC) to be held in Seattle, USA on 30 November - 3 December 1999 represents an important occasion to shape the future work programme of the WTO. Senior officials agreed to contribute positively towards the preparations underway in Geneva by submitting specific proposals regarding the WTO's future work programme, with a view to the early finalisation of a substantive and balanced agenda for the MC. They would use the ASEM process, in particular through SOMTI and EMM II, to co-operate on areas of mutual interest so as to advance the preparations for the MC.

14. To this end, they reaffirmed their commitment to the full and faithful implementation of the WTO Agreements and Ministerial Decisions. They also agreed to collaborate to ensure that preparations for mandated negotiations and reviews under the Built-in-Agenda (BIA) and other areas for negotiations are undertaken expeditiously, so that negotiations can commence within the stipulated time frames.

15. Senior officials stressed the importance of making further progress on broad-based negotiations, including in those areas mandated under the BIA and in others as may be proposed by WTO members. These negotiations should be sufficiently wide-ranging so as to achieve a balance of interest for all WTO members. This will ensure that future trade liberalisation will improve the opportunities for market access for developing and least developed countries. They are of the opinion that negotiations to be decided at the Third WTO MC should in all aspects be conducted as expeditiously as possible.

16. Senior officials noted that the term of the present WTO Director-General will expire in April 1999. In view of the critical preparations which have to be made leading to the Third WTO Ministerial Conference to be held on 30 November - 3 December this year, they stressed the importance of selecting and appointing a new Director-General as a matter of great urgency, in order to allow him sufficient time to carry out the preparation process effectively.

17. Senior officials stressed the importance of achieving universality of WTO membership. They undertook to step up efforts in that direction with a view to obtaining an early accession of applicants to the WTO on the basis of congruous market access commitments and adherence to the WTO rules.

Review Of Other ASEM Economic Initiatives

18. Senior officials noted that SMEs in Europe that had partnerships with Asian counterparts were not spared from the effects of the recent financial crisis and acknowledged the interdependence and linkages between Europe and Asia. In spite of the economic crisis, they strongly urged economies to continue to enhance these business linkages and welcomed the results of the Asia Europe SME Conference (AESMEC), held in Naples in May 1998.

19. Senior Officials noted the progress of ASEMConnect, and endorsed efforts by Singapore to complete the prototype by AEBF IV in Seoul. They also recognised the synergies to be achieved with the Virtual Information Exchange. The Meeting strongly urged ASEM partners who have yet to participate in ASEMConnect to do so as soon as possible.

20. Senior officials noted that the Conference on "States and Markets. Roles of Public Authorities and Private Actors in the Promotion of Economic and Social Progress", organised by Denmark and Korea, would be held in Copenhagen on 8-9 March 1999. They encouraged all ASEM partners to participate in the conference.

21. Senior officials welcomed Japan's undertaking of follow-up studies on economic synergy between Asia and Europe, and noted that the findings of the studies would be reported at EMM II.

Global Economic Development

22. Senior officials discussed the global implications of the crisis and in particular the spread of financial turbulence worldwide. They also discussed the trade and investment ramifications of the current economic and financial situation in the Asian countries affected by the crisis. They welcomed the substantial efforts made by these countries to stabilise their economies, supported their commitment to continue and deepen reform measures to regain the confidence of international markets, alleviate the social consequences of the crisis and return to growth. They expressed confidence that these efforts, which have begun to create modest but encouraging results, as supplemented by assistance from the international community, would lead to the restoration of economic and financial stability in Asia, and thereby create the preconditions for growth in Asia once again. Noting also the important role that open markets would play in the economic recovery of the affected Asian countries, senior officials welcomed their determined efforts to maintain trade and investment liberalization policies. They also took note of the bilateral and multilateral assistance extended by the international community to support ongoing recovering efforts of Asian countries.

23. Senior officials noted the discussions of the recent second Finance Ministers Meeting in Frankfurt/Main as well as the progress of ASEM initiatives taken in response to the economic and financial crisis in Asia. They welcomed the speedy establishment of the ASEM Trust Fund (ATF) at the World Bank and noted that of the approximately US\$47 million pledged to the ATF, US\$20 million had already been earmarked for projects both in the financial and social sector by the end of 1998. The senior officials looked forward to continue close co-operation and consultation between the World Bank and recipient countries in the design and implementation of ATF-funded projects as illustrated by the recent consultative meeting in Bangkok. They also welcomed the establishment of the Clearing House for the European Financial Expertise Network (EFEX), which will contribute to ongoing efforts in the area of financial restructuring in Asia. They noted that one of the positive features of EFEX was that Asian financial expertise could be associated with EFEX.

24. Senior officials welcomed the smooth introduction of the Euro on 1 Jan 1999 which ushered in a new era of economic and monetary union in Europe. They welcomed the major role that the Euro will play in the areas of international trade and investment. They noted the implications of the Euro on the business community, and the EU agreed to continue to provide information to help Asian businesses take advantage of the new business opportunities. They viewed the European Economic and Monetary Union as a positive contribution to the evolution of the international economy.

Progress From ASEM II To ASEM III

25. Senior officials reviewed the economic portion of the Work Programme which would be submitted to the EMM II.

26. Senior officials took note of the presentation by Dr Lee Tsao Yuan on the trade and investment aspects of the Vision Group Report.

Follow-Up

27. Senior officials agreed that SOMTI V would be held on 7-8 July 1999 in Brussels, Belgium, hosted by the European Commission and the incoming Presidency of the European Union, Finland. They also noted that the EMM II would be held on 9-10 Oct 1999 in Berlin, and discussed the issues that were likely to be included in the meeting's agenda.