

The 8th Asia-Europe Meeting: a practical talking show

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Earlier this month, 48 Asian and European leaders met in a summit that, though not decisive, proved conducive in getting both regions to talk about shoring up the slow recovery of the world's economic health.

The 8th edition of the biannual Asia Europe Meeting (ASEM) agreed that, to sustain the global recovery momentum, market confidence and enhanced trade, under an improved global economic governance, is the way forward.

The 8th ASEM seated around the same table (welcoming for a first time Australia, New Zealand and Russia) leaders representing 58 per cent of the world's population, 50 per cent of the global GDP and over 60 per cent of the global trade. Altogether, these figures say little about the uneven direction, pace and shape of the European and Asian economies. As Richard Werly from the Swiss daily Le Temps, nicely put it: ["this ASEM gathering is, on paper, a unique occasion for 'old' Europe to meet with 'new' Asia."](#)

Asian leaders came all the way from prosperous far east, as their European counterparts gave a break to their domestic austerity agendas to figure out ways to improve the global economic governance. A big wording charged with the crucial mission of spelling out financial mechanisms so the world does not keep tripping over the same painful stone. No matter how the post-crisis order will look like, it will necessarily require Europe and Asia to work hand in hand. As Herman van Rompuy, President of the European Council, stated, it is crucial to deepen ["economic \[and financial\] integration within and between both regions as a means to global recovery."](#)

Such a tip seems to be addressed to the awakening Europeans rather than to the self-confident, fast-growing Asian markets. Steadily rising, consumption-thirsty Asian

middle classes open seemly bottomless markets for European exports of goods and services. Likewise, the cheap labour and some Asian countries business-friendly regulatory environments will certainly keep the region on the limelight of European transnational corporations for years to come.

Trade, the silver bullet?

European multinationals crave for unfolded trade channels to pay off their investments in Asia and to further explore the region's services market. Trade liberalisation is now, more than ever, a priority for European leaders- widened pathways to ease access to the prospering Asian markets would prove very handy on the European road to recovery. Such an unequivocal determination took the 8th ASEM until unheard lengths when the summit's chair stated that ["sustainable development policies,](#)



Asem 8 official leaders photo (European Commission)

[including environmental measures, do not lead to arbitrary or disguised restrictions on international trade.](#)” Indeed, the wording of the declaration could have been, to say the least, a bit more tactful.

Asians are also keen to see commercial barriers lessened on their exports to the EU, which make a sizeable chunk of their GDPs. With this mindset, the 8th ASEM chair’s statement concluded that [“all forms of trade protectionism should be rejected and that existing tariff and non-tariff barriers should be rolled back without delay.”](#) This declaration can be fairly interpreted as a direct call to India (represented at the summit by its Vice-President) and the US. To the former, for its resistance to, in the framework of the Doha Development Agenda, remove a protection mechanism that in fact, shields India’s farmers in the event of an import surge and/or a price fall. To the US, for its perseverance to maintain market-distorting subsidies to its farmers.

Trade [“between the EU and Asian ASEM members \[increased\] over 25% in the first half of 2010 compared with the same months in 2009.”](#) An impressive growth that indicates both, a revitalisation of the European economic vigour and the vital role played by Asia in nourishing it.

Apart from the traditional trade in goods and services, the Asian market still holds a relatively unlocked potential for the expansion of European financial services. For European wealth in hands of venture-seeking firms, Asian capital markets present a safe bid. [“Private equity firms and venture capitalists can invest in new growth sectors and encourage corporate restructuring,”](#) pointed out Mrs Lim, Singaporean Minister in the Prime Minister's Office.

The sidelines of the 8th ASEM served to officially launch Free Trade Agreement (FTA) negotiations between the EU and Malaysia, the EU’s second largest trade partner in Southeast Asia, after Singapore. Paradoxically, the most important episode of the ASEM week did not take place at the summit itself but the very day after the closure of the meeting, when Trade Commissioner Karel De Gucht performed a breakthrough by signing the EU-South Korea FTA, due to come into force in July 1 2011. That was an extraordinary development. The EU- South Korea FTA is, in fact, the largest ever trade treaty signed by the EU, and the world’s second only after the North American FTA.

Asian fellows play hard

Despite all the promising prospects and the accommodating mood prevailing at the summit, European leaders may have shaken hands with their Asian counterparts with a competing feeling in the back of their minds. Asia lays to the European economies the same degree of opportunities that risk poses. In a nutshell, the two regions frantically contend for natural resources and markets- flourishing Asia inevitably implies the lessening of Europe’s stand in the wide world arena.



ASEM 8 logo

The fading European cloud in international organisations is just one example of the above. [“Europe must cede to a thrusting Asia some of the space that European countries occupy in the global institutions set up after the second world war,”](#) recently wrote The Economist. The 8th ASEM reflected this logic, as the summit did discuss such overrepresentation of EU member states at the International Monetary Fund (IMF). The 8th ASEM’s chair statement acknowledged that [“... IMF quota shares must be shifted to dynamic emerging markets and developing countries...”](#)

In numerical terms, EU member states hold eight seats out of the IMF’s 24-member board. Brussels has already hinted that it is willing to relinquish two of its seats and rotate others. The move is considered by many as still falling short of recognising the relentless, shifting balance of the world’s economic order. EU heads of state meeting in Brussels later this month are expected to take a final decision on this matter.

The 8th ASEM also saw flashes of discrepancy. From an economic standpoint, China’s obstinate currency policy did generate one of them. The artificially unevaluated Chinese currency, the yuan, unleashed the discontentment among attending leaders. The president of the Euro Group (a gathering of the eurozone finance ministers) Jean-Claude Juncker articulated such a frustration when he said

that ["China's real effective exchange rate remains undervalued and is thus contributing to misaligned global exchange rate configurations."](#)

The Chinese Premier, Wen Jiabao, did not have to counter Juncker's comment. Conscious that Beijing's currency policy was to be denounced at the summit, a few days earlier he indicated that China is ["committed to assisting Europe's post-recession recovery by backing a stable euro and not reducing his country's holdings of bonds from EU countries, despite Europe's sovereign debt crisis."](#) He could be insinuating that Europe may benefit from China's financial strength, achieved thanks to a trade surplus underpinned in its undervalued yuan.

Reading between lines

[This meeting between EU and Asian states was intended to be more consultative than decisive.](#)

ASEMs are an example of talking shows, but it would be mistaken to dismiss them as a mere time-wasting. In many cases, these summits offer the only chance that many of attending leaders have to meet on a personal level. For the ones that convene more frequently, the corridor and dinner chats, far from the pressures of other summits, help to warm up personal links and measure stances; both valuable exercises ahead of upcoming, more decisive meetings.

ASEMs are also conducive to raise the profile of the EU (as a grouping, opposed to individual, self-centre states) in the eyes of its Asian interlocutors. The mere fact of getting most of the Asian heads of state together every other year is an achievement by its own right.

Critics are right to point that these summits do not produce actual agreements, but rhetorical, unsurprising assertions. Nevertheless they fail to see that, by subscribing to common positions, these meetings lay the groundwork and expedite decisions that will be subsequently taken in the international fora. The next G20 summit (of which 17 countries were presented in Brussels) is just the forthcoming example.

The world is slowly turning one of its harshest pages. Global leaders are bound to make sure that the flawed foundations of the pre-crisis world order are spotted and effectively removed. At such a critical junction, summits of the ASEM calibre are all the more important to get decision-makers share concerns, expectations and 'catch up' with the general mood. Even if it did not produce obvious headways, the 8th ASEM certainly added a stroke on today's paramount notion of global governance.

