

# **THE 6<sup>TH</sup> ASIA EUROPE BUSINESS FORUM (AEBF VI)**

## **CHAIRMAN'S STATEMENT**

**Presented at the Closing Plenary Session on 9 October 2001,  
Singapore**

1 The 6<sup>th</sup> Asia Europe Business Forum was successfully held in Singapore from 7-9 October 2001. The Forum was attended by over 500 leading businessmen and government representatives from the ASEM partners.

2 Globalisation has interconnected economies closer together. There is also much integration and dependency among countries compared to some 20 years ago. In the aftermath of the recent shocking terrorist attacks in the US, it was clear that the tragedy would impact not just the American economy but the global economy as well. In the face of great economic uncertainty, the organisation of AEBF VI had been significant, as participants reaffirmed the common desire of businesses in Asia and Europe to strengthen ties and cooperation with one another.

3 Businessmen believed strongly that at such a time they should, and would, be even more innovative in their thinking, more proactive in their actions, and more forthcoming in expanding their network and co-operation across all boundaries for economic integration. It was through such forward looking courses of action that prosperity and economic development could be ensured.

4 All delegates expressed the urgent need for a closer relationship and co-operation between Asia and Europe at both business and government level, so as to strengthen the capacity of ASEM economies to cope with the global economic downturn. In the video greeting by European Trade Commissioner Pascal Lamy, he called on

the business community and governments to pull together and give direction to the international economic spectrum. In his keynote address at the Opening plenary, Singapore's Minister for Trade & Industry, BG George Yeo said that, in working with Europe for a better future, Singapore envisaged a "multi-tiered architecture of links between East Asia and Europe". He urged officials to work with the business sector on concrete measures to strengthen these links.

5 Prof Tommy Koh, Singapore's Ambassador-at-Large and Dr Arnoud De Meyer, Dean of the INSEAD Campus in Asia also spoke on the Forum's theme at the opening session. Prof Koh stressed that in the new economy the competitiveness of a country was less dependent on its natural endowments than on the quality of its people. Hence it was important for Asia & Europe to have world-class education and research institutions. Dr De Meyer reinforced this by stating that institutionally knowledge is the key challenge in the new economy.

### **New Features in AEBF VI**

6 AEBF VI made these 4 new contributions :

- Firstly, with the support of the contact points in 25 countries, 127 meetings were arranged among SMEs for the purpose of developing business partnerships. This initiative was a direct response to requests by participants of previous AEBF fora.
- An AEBF website ([www.aebf.net](http://www.aebf.net)) and econference platform was established for discussions before the work group participants met in Singapore. The website built a virtual bridge among AEBF participants, ASEM governments and business communities. It would further facilitate interaction beyond AEBF VI.
- Joint work group discussions were held to integrate discussion of common issues arising from individual work groups.
- Fourthly, a summary of ASEM partners' responses to the recommendations of AEBF V was compiled by the European Commission for feedback to the business community.

7 The Forum noted the increasing co-operation between business and public sectors. The recommendations of AEBF V, (held in Vienna in 2000), were well received by Leaders at the ASEM III Summit in Seoul last year.

8 In the run-up to AEBF VI, the Chairman of AEBF VI participated in the 7th Senior Officials Meeting on Trade & Investment (SOMTI) Meeting in Brussels in July 2001, and the 3<sup>rd</sup> ASEM Economic Ministers' Meeting (EMM) in Hanoi in September 2001. The Ministers encouraged ASEM partners to intensify their work in enhancing investment flows between Asia and Europe. They also agreed that AEBF should prioritize its recommendations so that both officials and businessmen could work together to expedite action on the more pressing issues.

### **Key Recommendations for AEBF VI**

9 AEBF VI has adopted the following key recommendations. The full list of recommendations is found in Annex A. The top priority recommendations of each of the 7 work groups are :

#### **TRADE**

The Trade Work Group supports the International Laboratory Accreditation Cooperation Mutual Recognition Agreements (ILAC MRA) and encourages all ASEM governments to recognize the ILAC MRA in order to facilitate trade.

The Group also urges simplification of standards and a higher degree of consistency and uniformity in these standards. Among the major sectors involved are electrical, engineering, food, mechanical, medical products and textiles and garments.

#### **INVESTMENT**

The Investment Work Group exhorts multilateral Financial Institutions to make extra efforts to stimulate private investments in developing ASEM countries by:

- i) More effectively engaging their available capabilities and information systems to stimulate investments with particular emphasis on extending political risk insurance to investors
- ii) Encouraging these organisations to be more transparent and complementary with each other and with the private financial sector in working with investors
- iii) In particular, encouraging Multilateral Investment Guarantee Agency (MIGA) to set up a direct presence in Southeast Asia by end 2001.

## **FINANCIAL SERVICES**

AEBF VI supports concerted efforts by governments and monetary authorities to restore economic stability and growth as quickly as possible. ASEM governments should put in place adequate measures and legal framework to deal with non-performing loans and ensure its proper enforcement. Regarding standards and codices such as Basle II, sufficient consultation and exchange between regulators and participants of the financial sector are needed for further revisions and adjustments before implementation. The free movement of capital on a worldwide basis including the full participation of foreign financial institutions in national markets must remain the final objective. Careful consideration however, must be given to the different stages of financial sector developments in respective countries. Urgent measures should be undertaken to deal with serious threats to banking systems caused by “cyber-terrorism” in the breaching of security systems.

## **SMALL & MEDIUM ENTERPRISES**

SMEs believe that Business Collaborations are fundamental to network for business growth. Physical bilateral business matching missions are to be arranged between ASEM partners in synergy with existing and new platforms. For a start, Company Business Match Making should be continued in future forums. Governments should

promote virtual matchmaking such as ASEMConnect through the linking of information and matchmaking websites should be enhanced amongst ASEM partners. Ways to improve the overall communications amongst the ASEM partners by the Secretariat should be examined.

## **INFORMATION & COMMUNICATIONS TECHNOLOGY**

The ICT WG recommends the identification and removal of existing barriers to a conducive e-business environment so as to expedite the progress of establishing a global partnership in E-Business, the WG also recommends the ASEM governments to support the ICT Federations of the respective member countries to co-ordinate with each other to establish forums on cross-recognition for public key infrastructure interoperability and applications, and cross-recognition for Trustmarks, and on consumer and data protection, and to support ICT Federations to coordinate with each other to start one or two pilot projects that involve the industries from 2 or more countries.

## **INFRASTRUCTURE**

A Task Force is assigned to look after PPP (Public Private Partnership) development in the provision of public utility services in each respective ASEM country. It should consist of inter-sectoral senior government officials and business representatives who are familiar with, have expertise in dealing with them, and currently involved in formulating policies and regulations in public utility development; and it should be made as an effective vehicle for the government to take decisions on PPP-matters. In addition, the scope of the existing Investment Expert Group (IEG) should be extended to include the analysis of PPP type investment projects.

## **LIFE SCIENCES & HEALTHCARE**

Counterfeiting of medicines remains an issue of concern both in Europe and Asia. In addition to undermining IPR, counterfeits also pose potentially serious threats to human health. Governments should adopt a policy of sharing information on counterfeits and counterfeiters

to allow more effective criminal proceedings to be taken. All products should be subject to stringent testing to ensure safety & efficacy and all manufacturers should be registered with the relevant national drug control authority.

### **Integrated Recommendations from Joint work group discussion**

10 For the first time 2 joint work group sessions were held. They were :

- a. Session 1 : Trade/ICT/Life Sciences & Healthcare
- b. Session 2 : Investment/Financial Services/Infrastructure

SME work group attended both sessions.

11 The recommendation of Joint Session 1 is:

AEBF strongly supports the Electronic Commerce initiative proposed at the 3<sup>rd</sup> ASEM Summit in Seoul (October 2000), which aims at identifying and removing obstacles to electronic transactions. AEBF recommends that focus be given to the key issues of *User Confidence*, *Cyber Security*, and *Intellectual Property Rights*, to the benefit of corporations, including SMEs, as well as individuals.

In line with the above, we urge that ICT competency be integrated into the educational systems in all ASEM countries and that the movement of ICT-related skilled resources, especially people, in Info-technology, Life Sciences and e-Trade between the regions (Asia and Europe) be encouraged and facilitated. ASEM partners are encouraged to minimize all forms of impediments to knowledge transfer.

12 Joint Session 2 noted that :

In previous downturns, the FDI was a rock of solidity but now, there is a reduction of flow and this is of great concern to us. In addition, Europe-Asian FDI significantly lags behind that of trade.

It therefore recommends that

- a. Stimulating investment is therefore urgent. AEBF should strive to identify and implement measures to work on this. Firstly, we ought to optimise the use of existing systems of ASEM governments for non-commercial risk mitigation. Secondly, a more active policy to promote infrastructure projects especially in the form of Public-Private Partnerships would be particularly appropriate.
- b. AEBF also emphasises the importance of stimulating domestic capital and financial market development, particularly with a view to long-term debt capital and venture capital.
- c. To make better use of MIGA's and other public sector political risk insurance mechanisms and to speed up their procedures. AEBF could also stimulate domestic capital and financial markets.

## **AEBF VII**

13 Mr Ib Christensen, Chairman of AEBF VII welcomed participants to the next forum that would be held in Copenhagen, Denmark on 18-20 September 2002. This event would be followed by the ASEM Ministers' Meeting on 22-24 September 2002. AEBF VII would have two main themes. These are (a) the relations between legal infrastructure and growth and (b) Globalisation and public opinion. Two new workgroups on food processing and the environment are also planned.

## **Conclusion**

14 In the light of global uncertainty there is an even more urgent need to reinforce on one hand the co-operation between ASEM business sectors, and between business and public sector on the other. The AEBF is one important multilateral platform for this purpose. Both business and government must strengthen their resolve to stay on course for the ultimate integration of the economies of Asia and Europe.

## **LIST OF WORK GROUPS RECOMMENDATIONS**

### **TRADE**

The AEBF Trade Work Group was formed to be a feedback instrument to the Trade Facilitation Action Plan of the ASEM grouping. The Business Grouping was given 3 key terms of reference, namely to:

1. Provide private sector inputs to government initiatives
2. Identify obstacles to trade
3. Propose possible solutions to the ASEM governments

While ensuring some form of continuity with what has been discussed at past Trade Work Group forums, this year's Trade Work Group has decided to focus discussions on 3 priority areas:

- Simplification and harmonization of product standards, and national recognition of Mutual Recognition Agreements (MRAs);
- Simplification and harmonization of customs procedures, specifically paperless customs procedures; and
- Promotion of greater awareness of E-commerce developments and the use of e-information in facilitating trade.

Participants of the Trade Work Group had a fruitful discussion on the above and have jointly arrived at the following recommendations. They give their full support to these recommendations and strongly urge the ASEM governments to seriously implement them.

#### **Key Recommendation:**

***Simplification and harmonization of national testing standards, and national recognition of MRAs***

The Trade Work Group supports the International Laboratory Accreditation Cooperation (ILAC MRA) and encourages all ASEM governments to recognize the ILAC MRA in order to facilitate trade.

The Group also urges simplification of standards and a higher degree of consistency and uniformity in these standards. Among the major sectors involved are electrical, engineering, food, mechanical, medical products and textiles and garments.

In the Governments' recognition of the ILAC MRA, attention should be paid to product liability issues. The AEBF would welcome periodic reporting by the ASEM governments on their progress on this recommendation.



## **Recommendations:**

### ***Promotion of E-commerce developments and the use of e-information in facilitating business***

AEBF strongly supports the Electronic Commerce project that was mooted within the official ASEM framework established in the 3<sup>rd</sup> ASEM Summit in Seoul (October 2000), which aims at identifying and removing obstacles to electronic transactions. AEBF recommends that focus be given to issues in e-Trade such as ***User Confidence, Cyber Security, and Intellectual Property Rights (IPR)***, on the basis of the Global Business Dialogue on E-commerce (GBDe) thematics referred to already in AEBF V in Vienna in October 2000, and urge that these topics be taken up for further development within the Project.

In line with the above, confidence in e-commerce transactions should be promoted and solutions found for privacy protection, resolution of disputes and protection of consumers. Furthermore, infrastructure should be established to protect the security of e-Trade globally and regionally as well. The security of networks requires authentication, non-repudiation, integrity and confidentiality.

There is also a clear need for technological measures to identify, protect and manage intellectual property rights in the digital environment. It is essential that both the rights of content providers and the rights of various other parties be protected.

### ***Simplification and harmonization of customs procedures***

The AEBF supports the ASEM governments' initiatives on simplifying and harmonizing customs procedures to facilitate trade, and commends the governments on the efforts taken thus far. The Trade Work Group is in support of the initiatives, in particular paperless customs procedures, taken by the ASEM governments to address major generic trade barriers and urges all ASEM governments to adopt those initiatives soonest.

As an additional recommendation brought up, the Participants would also like to encourage all ASEM governments to minimize physical checks on goods at respective entry points. This would assist very much in facilitating the flow of physical goods between countries.

### ***Use of the Euro currency in business transactions within ASEM countries***

With the introduction of the Euro notes and coins on 01 January 2002, the AEBF encourages all businesses to use the Euro in their business transactions with ASEM partners.

## **INVESTMENT**

In light of the various global trends of declining worldwide FDI and in particular, European investments in Asia; and structural shifts in FDI flows from Southeast Asia to China, there is now an urgent need to step up measures to enhance bilateral investment between Asia and Europe. Especially since governments worldwide are urging immediate measures to restore confidence and stimulate investment, the Investment Working Group recommends the following three implementable measures for consideration:

### **Recommendation 1 :**

To exhort multilateral Financial Institutions to make extra efforts to stimulate private investments in developing ASEM countries by:

- i) more effectively engaging their available capabilities and information systems to stimulate investments with particular emphasis on extending political risk insurance to investors
- ii) encouraging these organisations to be more transparent and complementary with each other and with the private financial sector in working with investors
- iii) in particular, encouraging MIGA to set up a direct presence in Southeast Asia by end 2001.

### **Recommendation 2 :**

To strengthen business/government co-operation in continuously improving investment environment, clarifying feedback procedures on government decisions, and improving transparency of resultant implementation measures. The EC could also be tasked to carry out the progress review of the consolidated list of recommendations that arose from AEBF meetings and report back to the business sector. Such feedback could be best achieved by enhancing and maximising the use and accessibility of the ASEM Invest Online website. Another urgent action is for the IEG and SOMTI to meet as soon as possible to review the 9 MEMs for possibility of accelerated implementation in the context of the new global landscape after the 11 September tragedy.

### **Recommendation 3 :**

In terms of private sector initiatives to stimulate investments, AEBF recommends boosting Venture Capital and Private Equity financing as another important financing source to increase Europe-Asia investment flows by ;

- i) using Southeast Asia as a gateway to attract and manage investments into Asia
- ii) continued easing of restrictions on institutional investors e.g. pension funds, social security funds, so that they can invest more freely in venture capital funds
- iii) favourably enabling the legal and taxation structure of venture capital fund vehicles e.g. treatment of avoidance of double taxation and capital gains tax

## **FINANCIAL SERVICES**

### **(1) Credit Issues**

(a) **Non-performing loans:** ASEM governments and relevant authorities should take appropriate measures to deal with the remaining sizeable non-performing loans. In order to improve the credit culture, the Working Group strongly urges that all governments put in place adequate measures and legal framework and ensure its proper enforcement towards all parties concerned.

(b) **Standards and Codices:** Although AEBF supports the adoption of common global minimum standards and codices for all financial markets, AEBF also notes that such standards including the proposed Basel Accord II will have a severe impact on SMEs and their lenders. AEBF VI therefore calls for sufficient consultation and exchange between regulators and participants of the financial sector for further revisions and adjustments before implementation.

### **(2) Financial Markets and Government Cooperation**

(a) **Market Access:** The free movement of capital on a worldwide basis must remain the final objective. Governments should therefore abolish all constraints on the participation of foreign financial institutions in their national markets after careful consideration has been given to the different stages of financial sector developments in respective countries. Governments should also take into account the recommendations of the Financial Stability Forum to achieve a concerted effort in minimising the negative side-effects brought about by globalisation. AEBF VI recommends that careful monitoring of developments in the financial sector should take place at the finance minister level between ASEM countries.

(b) **Market Action:** AEBF VI supports concerted efforts by governments and monetary authorities in restoring economic stability and growth as quickly as possible, including, in times of crisis, short-term joint market intervention. AEBF VI also believes in the paramount importance of restoring consumer confidence and behaviour, in particular, in the fields of travel, transportation and tourism.

### **(3) Technology Issues**

Governments should promote the access and use of new technologies. Governments should contribute to the development of the internet towards an accepted platform for financial services in all ASEM countries. Governments are to take note that urgent measures should be undertaken to deal with serious threats to banking systems caused by “cyber-terrorism” in the breaching of security systems that result in substantial financial damages and severe disruptions of services.

# **SMALL & MEDIUM ENTERPRISES**

## **1 Objectives**

SMEs that have operated under the industrial paradigm playing the middlemen role have to break through and embrace new ways of doing business in the new digital economy. In the new economy, where creativity, innovation and application of technologies are key success factors, SMEs have the same level of playing field as mega-corporations. Thus SMEs have unlimited opportunities to thrive and succeed. The key to SMEs' success lies in their ability to harness info-com, finance and other tools and strategic alliances across markets.

Hence, the SME WG have proposed the following outcomes:

## **2 Desired outcome**

2.1 The SME WG feels the following in terms of priority could be implemented first:

- a. SMEs believe Business Collaborations are fundamental to network for business growth. Physical bilateral business matching missions are to be arranged between ASEM countries in synergy with existing and new platforms. For a start, Company Business Match Making should be continued in future forums. Governments to promote virtual matchmaking such as ASEMConnect through the linking of information and matchmaking websites, should be enhanced amongst ASEM countries. Ways to improve the overall communications amongst the ASEM members by the Secretariat should be examined.
- b. SMEs recognise Training, Education and Skills Enhancement as a necessity of a prosperous future. Therefore Governments to create an infrastructure for greater exchange of skilled and technical workers between ASEM countries. This can be supported for example easier visa access, increase in reciprocal exchange schemes and adding the list of projects into ASEMConnect.
- c. For sustained growth, access to capital is critical for SMEs. Hence, Governments should liberalise financial regulations and services amongst ASEM countries. For example, the adoption of ASIAN and/or European currency as a unit of trade made available by financial institutions would reduce cost and risk of currency exchange for SMEs. The creation of Venture Capital Fund and other creative means for cross-financing for ASEM SMEs would remove roadblocks for innovative financing.

## **INFORMATION & COMMUNICATIONS TECHNOLOGY**

### **(1) INTEGRATION OF ICT COMPETENCIES INTO THE EDUCATIONAL SYSTEM**

To have ICT competencies is today and will in the future be the foundation on which to build job-related skills. A higher level of general ICT skills in qualifying educational programmes at all levels of education will contribute to narrowing the digital divide.

The AEBF recommends the ASEM Governments to prioritize the integration of ICT competencies into the educational system and that ICT should be made a part of the general education and vocational training. In addition to this, mobility of skilled resources between Asia and Europe should be encouraged to complement the educational policy to ensure immediate access to such skilled resources.

The recommendation is made with the consideration of:

- the digital divide experienced within and between developed and developing countries, and
- each member country's national objective to provide immediate access to education and highly skilled ICT related resources.

### **(2) DEVELOP A FRAMEWORK TO REMOVE BARRIERS AND TO INSTILL CONFIDENCE FOR ELECTRONIC BUSINESS**

Existing legal and commercial frameworks governing e-business has been established long before the digitisation of business. Therefore there is a need for a global revision of all legal and commercial barriers for doing e-business such as taxation policies, consumer and privacy protection, cyber security and intellectual property rights (IPR).

By setting a conducive E-Commerce environment, businesses' confidence within a specific industry will increase with mutual recognition of good business practices which encompass e-Business security and privacy practices. Consumers' confidence increase when they purchase from accredited online merchants with good business practices. With an increased level of trust and confidence, consumers are encouraged and motivated to engage in more online transactions, hence increasing the EC value and volume, and ultimately contributing to a buoyant e-Marketplace for all.

AEBF recommends that ASEM Governments:

- (a) should support the work of existing international institutions and forums, identifying the barriers on e-business and then actively work on removing the identified barriers.
- (b) encourage ICT Federations of the respective member countries to co-ordinate with each other to establish various forums, where not yet existing, on cross-recognition for

public key infrastructure interoperability and applications, and cross-recognition for Trustmarks, and on consumer and data protection.

(c) support ICT Federations to coordinate with each other to start one or two pilot projects that involve the industries from 2 or more countries so as to expedite the progress of establishing global partnership in E-Business.

**(3) RECOMMENDATION: COMMON AGREEMENT ON THE EXCHANGE OF RESEARCHERS OTHER HIGHLY SKILLED PERSONNEL AND KNOWLEDGE**

In order to enhance collaboration between Asian and European research institutions and industry, AEBF recommends the ASEM Governments:

- Establish a common agreement on the exchange of researchers and other experts between Asia and Europe, which will include support of knowledge exchange and the mobility of highly skilled specialists within the ICT sector. It is necessary for the ASEM Governments to establish a common strategy for a more flexible regulation on the mobility of specialists between Asia and Europe.
- Establish an ASEM Governmental Fund to finance researchers and other highly skilled personnel

## **INFRASTRUCTURE**

### **THREE PRIORITISED RECOMMENDATIONS :**

1. A Task Force is assigned to look after PPP development in the provision of public utility services in each respective ASEM country. It consists of inter-sectoral senior government officials and business representatives who are familiar with, have expertise in dealing with them, and currently involved in formulating policies and regulations in public utility development; and it should be made as an effective vehicle for the government to take decisions on PPP-matters. In addition, the scope of the existing Investment Expert Group (IEG) would be extended to include the analysis of PPP type investment projects.
2. In the framework of ASEM, these Task Forces and IEG in cooperation with AEBF can work on the following prioritized PPP-issues for recommendation to SOMTI and EMM :
  - a. To identify prospective PPP public utility projects and assess the elements which are necessary for the success including reforming the host country's legislative-institutional-regulatory frameworks pertinent to the provision of public services, with emphasis on the development of basic infrastructures and on environment pollution control.
  - b. To identify contractual modules and recommendations on mitigation of commercial and non-commercial risks in PPP projects.
  - c. To identify how ASEM can help promote domestic financial market to financial PPP projects in ASEM member countries.
  - d. To facilitate exchange of information and experiences in form of communication of existing studies on PPP, visits of existing contracts and direct contacts among public entities managing PPP contracts.
3. ASEM support and facilitation are expected to make the forthcoming AEBF Seminar on PPP in Public Infrastructure a success, which Singapore had expressed its offer to organise.

## **LIFE SCIENCES & HEALTHCARE**

### **AEBF VI discussion**

A broad discussion on various issues of harmonization of drug approval procedures and collaboration between Asia and European member countries was discussed.

The following were the key recommendations:

#### **Recommendation 1: Information & Knowledge**

- Health information is one of the most likely reasons for an individual to use the Internet, there is no quality control on health information posted on the web.
- A policy on accrediting healthcare content should be adopted to ensure individuals understand the validity of the data shown.
- Each country is encouraged to adopt a standard format for capturing patient health information.
- Physician transfer and ability to practice across borders should be encouraged by an accreditation process and impediments minimized to ensure knowledge exchange.
- Life Sciences training remains a challenge in several developing countries. Member countries are encouraged to consider mechanisms to make available existing training assets to accelerate manpower development

#### **Recommendation 2 : Harmonisation & GCP**

- Governments should continue to encourage the move toward harmonization of the regulatory environment in Asia for both medicines and medical devices.
- As part of this process the adoption of GCP should be strongly encouraged as a way of ensuring clinical research standards and data exchange. The ultimate goal should be a mutual recognition agreement between Asia and Europe.
- GCP should be included in medical curriculae and each Govt. should be encouraged to ensure that via public & private partnership sufficient resources exist to train practitioners in GCP.
- Member countries are encouraged to enforce the guidelines with sufficient sanction for breach.



### Recommendation 3 : IPR and Counterfeiting

- Counterfeiting of medicines remains an issue of concern both in Europe and Asia. In addition to undermining IPR, counterfeits also pose potentially serious threats to human health.
- Governments should adopt a policy of sharing information on counterfeits and counterfeiters to allow more effective criminal proceedings to be taken.
- All products should be subject to stringent testing to ensure safety & efficacy and all manufacturers should be registered with the relevant national drug control authority.

### **Prioritization of recommendations**

Recommendation 3 followed by 1 and 2 is the order of priority agreed by the workgroup.