Searching for an Economic Agenda for the 3rd ASEM Summit: Two Scenarios

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ASEM, being still under probation in the sense that its action plans have not yet been transformed into real action, needs to be consolidated in terms of its goals and agenda. In this regard, this paper seeks to investigate the agenda setting for the 3rd ASEM summit that will be held in 2000. The year 2000 provides ASEM with an excellent occasion for both retrospect and prospect, allowing it to pursue a revision of its agenda and thereby articulate its goals. In addressing this topic, the focus is on testing Gerald Segal’s ‘subsidiarity question’ for ASEM—which is to ask, "what can best be done for ASEM?"—taking into account the recent development of ASEM’s economic dialogues.

Several features deserve attention. First, the progress achieved at ASEM does not yet meet the requirement dictated by the subsidiarity question. Consequently, ASEM will have to become more than a venue for verbal exchanges and ministerial rhetoric extolling its achievements if it is to survive in the new millennium. As for the future of ASEM navigation, there seems to be two broad scenarios: ‘an APEC type evolution scenario’ and ‘ASEM’s own pace of evolution scenario.’ Second, as for the former, a more forward-looking strategy for ASEM would be aimed at achieving a goal matching trade liberalization measures and a non-binding regional investment initiative such as those in place in APEC. Under this scenario, especially concerning trade liberalization, it not only brightens ASEM navigation but also provides a decisive momentum to multilateral liberalisation. Third, under ‘ASEM’s own pace of evolution scenario’ its agenda will be basically aimed at facilitating information networks. Much of the economic agenda can be left to the markets to manage. ASEM would still remain a consultative forum. Consequently, It is questionable whether ASEM will truly be meaningful in the sense that it helps to
develop and strengthen a more open multilateral trading system. Under this scenario, one possible agenda would be merely follow-up activities on ongoing works, namely: (1) concerted efforts for open multilateralism in general and investment liberalization in particular; (2) reinforcement of technology transfer combined with protection of intellectual property rights; (3) active transfer of knowledge, especially in areas such as education and human resource development; (4) improvement of infrastructure linkages; and (5) enhancement of business exchanges. Fourth, taking into account the new initiatives agreed upon at EMM II, including a non-binding study of the TFAP and a voluntary report and review mechanism conducive to FDI, a more plausible scenario will be somewhere in between the two. Fifth, whatever the case may be, one should bear in mind that the Asian and European industrial sectors are primarily complementary, both in manufacturing and services and are, thus, expected to provide healthy potential for cooperation. Lastly, what is certain is that out of the current crisis comes a new opportunity to build a much stronger, more varied and longer-lasting Asia–Europe relationship. The time has now come. Following the recovery from the financial turmoil in East Asia and the successful launch of the euro, the conditions have been improved for ASEM, allowing it to make great strides in the new millennium. For more than just symbolic reasons, the year 2000 provides an excellent occasion for building a more grandiose vision of ASEM which should serve as the foundation for a solid international economic order for the twenty-first century.

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I. Introduction

The proliferation of regional trading arrangements (henceforth RTAs), such as free trade areas and custom unions, have become increasingly central to the global trading system in the last decade or so. A frequently posed question is whether these RTAs help or hinder the multilateral trading system of the WTO. Proponents of RTAs argue that RTAs serve as stepping stones toward MFN liberalization.1) Skeptics view RTAs as detours, if not roadblocks, in the pursuit of more open global markets.2)

1) Its proponents argue that: first, the formation of RTAs is consistent with the multilateral trading system as the exposure to the more limited competition with the other members of the RTAs would help develop confidence and prepare Members for tougher competition resulting from MFN liberalization. Second, some of the RTAs have also liberalized on a MFN basis at the same time as they have proceeded with intra-RTA liberalization. Third, the RTAs, being smaller in terms of membership, can achieve agreement faster than the protracted negotiations of the multilateral trading system.

2) They are concerned that the formation of RTAs could result in a fragmented world and is, thus, contrary to the basic tenet of non-
However, in most cases RTAs more often act as building blocks rather than stumbling blocks. According to the WTO (1995, p.62), it is clear that to a much greater extent than is often acknowledged, regional and multilateral integration initiatives complement rather than slow the pursuit of more open international trade. In addition, the report observes that regional agreements have allowed groups of countries to negotiate rules and commitments that go beyond what was possible at the time multilaterally. In turn, some of these rules, especially with regard to services and intellectual property protection, helped lay the foundation for progress in the Uruguay Round.

ASEM, as well as APEC, is not a formal RTA. While the scope of APEC is exclusively one of economic cooperation, ASEM strives to encompass economic, political and cultural objectives. Its economic cooperation has focused on three areas: the Trade Facilitation Action Plan (TFAP), the Investment Promotion Action Plan (IPAP) and enhancing business networking through the Asia–Europe Business Forum (AEBF).

ASEM, being still under probation in the sense that its action plans have not yet been transformed into real action, needs to be consolidated in terms of its goals and agenda. Otherwise, dangers that ASEM will degenerate into a talk shop can not be dismissed out of hand. (Jürgen 1999) In this context, the purpose of this paper is to set out an agenda and goals relevant to the 3rd ASEM summit, which will be held in 2000, and to show how ASEM will be able to take a quantum leap in its development. For more than just symbolic reasons, the year 2000

discrimination of the multilateral trading system. For a detailed explanation of the two categories of political economy arguments, see Frankel (1997, chap. 10).
provides ASEM with an excellent occasion for both retrospect and prospect and, thereby, allowing it to articulate its goals. In addressing this topic, the focus will be on testing the so-called ‘subsidiarity question’ for ASEM, which is to ask what can best be done at the ASEM level, based upon the recent development of ASEM’s economic dialogues.

This paper begins with a brief overview of ASEM. This section discusses the rationale for ASEM and an assessment of the outcomes of the 1st and 2nd ASEM conferences. Section III describes the recent development of economic dialogues, with an emphasis on the progress achieved at the EMM (Economic Ministers’ Meeting). Section IV seeks to test the ‘subsidiarity question’ which is deemed to be highly relevant in shaping the agenda for ASEM. Section V, based upon the background established in the previous section, proposes two different directions ASEM can take in terms of its agenda and goals. Section VI concludes.
Ⅱ. ASEM: A Retrospective

The security-dominated bipolar system of the Cold War period was followed by an economic-driven tripolar international order, comprising the Triad regions, *i.e.*, North America, Western Europe and East Asia. The most popular rationale for the ASEM initiative was to complete the missing link between East Asia and Western Europe. (Hänggi 1999) ASEM was originally designed to meet the needs of both Asia and Europe. The EU, concerned about being excluded from APEC, was keen to counter the growing US economic influence in East Asia. For Asians, most already running sustained trade surpluses with the EU, clearly had an interest, in the face of the Single Market and prospective common currency, to use ASEM as a useful vehicle to persuade the EU to follow the APEC model of open regionalism. In this respect, ASEM was a European and Asian answer to the rapid progress of APEC, or a European version of APEC to put it simply.⁴)

ASEM is originally intended to build an equal partnership between the two regions, covering economic links, political dialogue and cultural exchanges. However, political and civil society issues were at a standstill because of the EU’s unease with Myanmar’s human rights record.⁴) While the East Timor issue was finessed at the Bangkok

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3) According to Segal (1997, 1998a), ASEM will be helping to keep the US honestly committed to open multilateralism by helping to ensure that ASEM members do not seek ways to opt out of the global economy.

4) Despite having been a member of ASEAN, the EU has insisted that Myanmar be excluded from all joint meetings by refusing to grant a visa to the Myanmar Foreign Minister or its other senior officials. ASEAN has taken strong exception to this demand by the EU. (Business Times 1999a,
summit, it recurred with sufficient intensity to derail another part of the EU's Asian agenda and introduced an element of stress into relations with the ASEAN states central to ASEM. (Bobrow 1999) Evidently, the economic dimension has been one of the major areas of focus and remains high on the overall agenda of ASEM, as expressed in the Chairman's Statement of the Bangkok ASEM conference, "the meeting recognized the growing economic links between the two regions form the basis for a strong partnership between Asia and Europe." 5)

Outcomes from the Bangkok ASEM were far more specific and of greater substance than had generally been anticipated. (Dent 1997–1998) In the economic area, the topics discussed at the 1st ASEM, summarized succinctly as follows (Park 1996), constitutes the core of ASEM's objective and shows the future direction of ASEM navigation:

(1) Strengthening of multilateralism focusing on the WTO and promotion of open regionalism
(2) Enhancement of economic exchanges between Asia and Europe, in particular facilitation of trade and investment, and exchanges of technology
(3) Increased cooperation among the business and private sectors of the two.

Its initial agenda, often referred to as a 'laundry list', became more structured due to follow-up measures where the Senior Officials Meeting on Trade and Investment (SOMTI) group played a pivotal

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5) Paragraph 10 of the Chairman's Statement of 1st ASEM.
role. The London ASEM adopted the consolidated initiatives, endorsed by the Ministers at the 1st ASEM—Economic Ministers’ Meeting (EMM), which includes, \textit{inter alia}, the Trade Facilitation Action Plan (TFAP), the Investment Promotion Action Plan (IPAP) and the Asia–Europe Business Forum (AEBF).

The financial turmoil in East Asia, during 1997–1998, diverted attention away from the trade and investment liberalization initiative and towards arrangements for monetary and fiscal stabilization. In contrast to the 1st ASEM summit, the 2nd London ASEM seemed to be a subdued affair. Asians who sought to lead the ASEM process have, through economic failure, lost their right to lead it. (Segal 1998a) East Asian leaders focused mainly on their region’s economic recovery, whereas their EU counterparts were preoccupied with preparations for the launch of the Euro and with their own intra–regional agenda of membership enlargement. Consequently, the London ASEM produced few substantial achievements in terms of liberalization efforts. However, this does not necessarily mean that it aggravated motivation for the ASEM process. In fact, at the London ASEM leaders made an important pledge to alleviate the crisis by maintaining an open trading system in the teeth of the new protectionist pressures.\(^6\) This “ASEM Trade and Investment Pledge” set the tone for the rest of the world as it responded to the crisis, for example, for the G7 and the WTO.

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6) “They expressed their common resolve to resist any protectionist pressures and at least to maintain the current level of market access while pursuing further multilateral liberalization, They undertook not to take any restrictive measures in the legitimate exercise of their WTO rights ... Leaders also invited trading partners outside ASEM to join in this pledge”. (Paragraph 14 of the “Financial and Economic Situation in Asia” addendum statement to the Chairman’s Statement of 2nd ASEM)
(Brittan 1999)

Following the summit, two specific initiatives have been implemented to help overcome the crisis. The ASEM Trust Fund was established at the World Bank and has been operational since June 1998. The Fund will provide Asian ASEM partners with technical assistance and advice on restructuring their financial sectors and on measures to deal with the growing social problems caused by the crisis. Of the US$47 million pledged and contributed to the fund, US$20 million had already been earmarked for projects in both the financial and social sectors by the end of 1998.\(^7\) In addition, the EU decided to create the Clearing House for the European Financial Expertise Network (EFEX).\(^8\) This network will facilitate access to European expertise for Asian partners involved in reforming their financial sectors. Indeed, the EU has, from the beginning of the crisis, made important contributions by assisting Asia in overcoming it, which may not have been sufficiently perceived by the Asian public. Several EU Member States have provided bilateral technical assistance in the areas of banking supervision and financial restructuring to countries affected by the crisis. European private banks, by far the most exposed in the region, have played a key role in the rollover of short-term credits.

However, the EU seems to have missed an important opportunity for showing drive and determination. If one merely remembers that the true value of a friend is best judged in times of crisis, the EU’s image in Asia was unlikely to be enhanced because the Asian press depicted Europeans as fair-weather friends. Overall assessments of

\(^7\) Paragraph 23 of the Co-Chairmen’s Summary of SOMTI IV, Singapore, 11–13 February 1999.
\(^8\) *Idid.*, paragraph 23.
ASEM’s contributions to crisis management were, in fact, disappointing. Consequently, The London ASEM summit was a dud. (Lehmann 1998)
III. Recent Development of ASEM Economic Dialogues

One of the most important lessons that Asians have learned from the economic crisis was the global economic order which, like it or not, they are a part. This seems to undermine Asian confidence in their allegedly distinctive ‘Asian values’ and their new form of capitalism. However, the main certainty in the world today is that everything happens fast and doesn’t slow down enough for us to understand it fully. Two years ago, few Asians, or Europeans, believed that Asian ASEM members affected by the crash in this region would be looking at positive economic growth before the millennium. Now a recovery is in full swing.

Economic Ministers, gathered in Berlin in October 1999, voicing their faith in Asia’s improving economic climate, patted themselves on the backs for keeping markets open as shown in the aforementioned “ASEM Trade and Investment Pledge.” 9) Participants at the EMM II pointed out that “following the phasing out of the financial and economic crisis in East Asia and the introduction of the euro, the conditions were in place for a dynamic new chapter in the further development of economic and commercial relations between the two regions”. 10)

Regarding trade and investment, the decision taken at the EMM II represents a step taken forward, albeit not an ambitious enough

10) Idid., paragraph 3 and paragraph 7.
one. As for trade, the ministers decided to consolidate the Trade Facilitation Action Plan (TFAP), which ASEM SOMTI are charged with elaborating upon, by the 3rd ASEM summit in Seoul in October 2000, a list of the most important non-tariff barriers encountered by their ASEM partners.\textsuperscript{11) Coordination will then be set in place to resolve these obstacles. These lists, however, will be generic and will not designate any specific country, which, at first glance, does not seem very relevant for resolving specific problems. However, this should, in fact, not be detrimental to the effectiveness of the system, as everyone will know which country is being referred to, and thus peer pressure will arise. Concerning investment, the mandate of the Investment Experts Group (IEG) has been extended for another two year period until EMM III. The group has been entrusted with the task of identifying a list of positive measures for promoting investment based upon questionnaire responses from ASEM partners regarding what they judge to have been the most effective practices that they have utilized in order to attract FDI. These measures have been grouped into 9 categories.\textsuperscript{12) The ASEM partners will voluntarily report

\textsuperscript{11) \textit{Idid.}, paragraph 9.}

\textsuperscript{12) The nine measures, annexed to the Co-Chairs' Statement of the Third Investment Experts Group Meeting, 5–6 July 1999, Brussels, are as follows; ① Investment Promotion Agencies for both attracting and facilitating ② Consistent implementation of FDI-liberalizing measures ③ Measures aimed at non-discriminatory treatment for FDI ④ Opening of investment regimes and removal or reduction of burdensome requirements and obstacles ⑤ Incentives ⑥ Enhancement of the transparency and predictability of the investment climate ⑦ International investment agreements at the bilateral, regional and multilateral levels ⑧ Enhancement of the efficiency of national administration ⑨ Accompanying improvements of the domestic economic environment and infrastructure.
to SOMTI each year on the progress they have achieved with respect to these measures, as well as on other relevant activities they have undertaken to improve the investment climate in their countries.\textsuperscript{13} In addition, the Ministers launched the Virtual Information Exchange (VIE), an Internet device which should provide valuable data on business conditions.\textsuperscript{14}

Nevertheless, proposals by the Asia Europe Vision Group for free trade of goods and services among ASEM members, apparently the most ambitious ‘vision’ to date, have been abandoned. Instead, with the help of the report submitted by the Vision Group, four principle themes have been defined as follows: trade liberalization and investment promotion between Asia and Europe; strengthening the dialogue with the private sector, especially with the AEBF; cooperation in priority industrial sectors such as those involving new technologies; and a dialogue on socio-economic issues. ASEM SOMTI will examine further these four key themes so as to identify the main economic priorities for inclusion in an updated Asia–Europe Co-operation Framework.\textsuperscript{15}

Related to the WTO issue, participants managed to agree that the new WTO talks should conclude within three years with the principle of a single undertaking. However, the EU and Asian ministers failed to narrow their differences over what to include in the agenda.\textsuperscript{16} The

\begin{itemize}
\item\textsuperscript{13} Paragraph 11 of the Chair Statement of 2nd ASEM Economic Ministers’ Meeting, Berlin, 9–10 October 1999.
\item\textsuperscript{14} \textit{Idid.}, paragraph 11.
\item\textsuperscript{15} \textit{Idid.}, paragraph 14.
\item\textsuperscript{16} Concerning the ASEM position on new issues, LEE(1999) identified the three issues, namely trade and investment, trade facilitation and electronic commerce which seem to meet common interests of ASEM members since
\end{itemize}
differences between the two sides centered on anti-dumping policies and labor standards. Calling for a WTO discussion on anti-dumping the Asian countries are concerned that the EU’s anti-dumping rules are being used as a protectionist instrument. The EU, meanwhile, is proposing to take up trade and labor standards, but Asian members fear such a move could lead to protectionism to keep out their products. The Chairman stated that “support was expressed for the need to address some aspects of the existing anti-dumping agreement.”

On labor standards, it was said that “some ministers proposed the need for further analytical work in conjunction with the ILO.” But “a number of ministers expressed real difficulties with the issues.”

For the Asian ASEM members, inclusion of “anti-dumping” is certainly a step forward from the Asia-Pacific Economic Forum (APEC) held in September 1999, since this could never have happened if Washington was participating in the conference.

18) *Idid*.
IV. Testing the ‘Subsidiarity question’ for ASEM

In considering the shape of the agenda for the next ASEM summit, the notion of subsidiarity is, as Gerald Segal suggests, in fact appropriate (Segal 1997). In the EU, subsidiarity means that issues should be dealt with at the ‘most effective’ level (Higgott 1996). Thus, Segal’s subsidiarity question for ASEM is twofold: ‘what is best done at the ASEM level’? and ‘what can also be usefully done at the ASEM level’? If there are good answers to the first question, ASEM has an important role to play. If there are only good answers to the second question, then ASEM has little possibility for a serious future. According to Segal, there are positive answers to both questions. As for the arguments answering to ‘what is best done at the ASEM level’, the first one is that the governments should take the leading role in enhancing trade and investment flows. (Segal 1997) There can be no doubt that, in considering the driving force of the Euro–Asia inter-regional economic relationship, it is private sector market power, not state sponsored institutional direction that is the determinant factor. Given that most countries in ASEM possess a market economy, which is thought to be the best means by which to trade and encourage investment flows, what can ASEM best do that is not done by these markets? The answer lies in the area of information networks.

“Markets function best with perfect information and understanding. It is clear that knowledge about the two parts of the world is not as substantial as is often assumed. Networks are not as strong between Asia and Europe as they are either across the Atlantic or across the Pacific. Governments can facilitate this process at relatively little cost.
This is a primary role for ASEM – building inter-regional networks and information conduit…ASEM’s role should be one of providing infrastructural assistance to the relationship – such as data gathering and assistance in the creation of networks and inter-regional policy learning.” (Higgott 1996)

The second point to make is that by adopting open regionalism as one of the central themes of its deliberations, ASEM can and should be required to reinforce the open multilateral trading system. In this regard, one of the most important strategies for ASEM is to maximize Asian and European relations with the US, and to ‘keep the Americas honestly committed to multilateralism.’ (Segal 1997) There is strong evidence that the US is moving toward a more specific form of reciprocity in its international trading relations. Nowhere is this better illustrated than in its attitude towards the General Agreement on Trade in Services (GATS) – where MFN, due to US insistence, does not apply – and its attempt to spread the use of extra-territoriality principles, such as the Helms-Burton Act and d’Amato Bill, to punish third parties trading with Cuba, Libya and Iran. Keeping regionalism open is about keeping the world trading system open. It is for that reason that APEC and ASEM need to remain not only WTO consistent, but also WTO enhancing. (Higgott 1996) APEC is determined not to replicate the institutional structures of the EU. Open regionalism – the progressive liberalization of trade within the Asia-Pacific region via concerted unilateral liberalization, but which is extended to non-APEC

19) “Such a partnership should be based on the common commitment to market economy, open multilateral system, non-discriminatory liberalization and open regionalism.” (Paragraph 10 of the Chairman’s Statement of the first Bangkok ASEM)
members on an MFN basis – is invariably contrasted with the institutional–cum–discriminatory EU model. (Higott 1998) Thus, it will be fair to say that APEC is intended to keep the EU honestly committed to open regionalism. The APEC strategy works, and now ASEM will be helping to keep the US honestly committed to open multilateralism by helping ensure that ASEM members do not seek ways to opt out of the global economy (Segal 1997, 1998a).

Bearing these in mind, one is now in a position to test these two ‘subsidiarity’ criteria\(^{20}\) taking into consideration what has been previously achieved at ASEM. Testing the first criterion is to question whether ASEM really provides a framework that allows market forces to operate. In this regard, the handful of joint projects agreed upon at EMM II, including the aforementioned non–binding study of the TFAP, the voluntary report and review mechanism conducive to FDI and the launch of the Virtual Information Exchange (VIE), can certainly provide a useful vehicle for developing information networks. No doubt, these discussions can one day contribute to the promotion of Euro–Asian inter–regional trade and investment. Nevertheless, at the moment these are just a series of ideas, and have yet to be transformed into real action. The outcome from EMM II does not seem to be very significant in this regard. Consequently, the general consensus of public opinion, assessed right after EMM II, was that the gathering in Berlin

\(^{20}\) Segal’s third argument for the subsidiarity question for ASEM concerns Euro–Asia cooperation on aid to the rest of the world. This issue is deemed to be political and does not seem to be an argument that strengthens Asia–Euro inter–regional economic links directly. In addition, it seems premature to discuss this issue considering that ASEM is still under probation and needs a certain consolidation period. Therefore, it is not included.
produced few results.

Testing the second criterion is the same as asking whether ASEM is really strengthening the multilateral trading system to an extent that it keeps the US honestly committed to open multilateralism. In this respect, ASEM has failed at EMM II in reaching a consensus in support for the WTO New Round, not to mention that it does not yet act as a force to counter American unilateralism. Concerning the latter, there are several excellent explanations.

"First, ties to the US have been so established or are on such a strong upward path that the ASEM participants would be unable or, unwilling to endanger them. Second, ASEM participants were and are too divided to take meaningful collective action to further those potential threats in a policy–relevant future. Their different national priorities, policy convictions, and domestic pressures block substantial joint challenges to the US... Third, threats joint action by East Asia or by Europeans and Asians might pose had been recognized and absorbed into the thinking of the attentive elements of the American public and private sectors. ASEM failed the ‘additionality’ test” (Bobrow 1999)

The Asia–Europe disagreements over the future course of world trade are further proof that the WTO New Round will be a very difficult one. It is also a potent indication of the hard road both Europe and Asia have to travel before they can become real “partners”. To pave the way for this objective, ASEM will have to become more than a venue for verbal exchanges, spirited and animated as they may seem. ASEM will have to become more than the ministerial rhetoric extolling its achievements if it is to survive in the new millennium.
V. Prospects for ASEM: Two scenarios

ASEM stands at the crossroad and it will not be taken seriously unless its agenda is significantly revised. There seem to be two broad and plausible scenarios when considering the future of ASEM. The fate of longer-term efforts to realise ASEM’s potential may be decided by its ability to evolve beyond a purely consultative framework. Unlike APEC, which is primarily a trade forum, ASEM has no agenda for achieving a common market, as the EU and ASEAN already have their own exclusive trading agreements. Therefore, a more forward-looking strategy for ASEM would be aimed at achieving:

(1) a goal matching the trade liberalization measures agreed upon in APEC\(^{21}\)

(2) a non-binding regional investment initiative such as the one in place in APEC

In both cases, the differing development stages of ASEM members should be taken account to establish an appropriate timeframe. The first option can be called the ‘APEC type evolution scenario.’ In fact, as for trade and investment, the EU has long been concerned about lagging behind in FDI in Asia, when compared to the US and Japan, whereas Asia is more interested in trade liberalization. When it comes to trade liberalization, shortly before the Bangkok summit the Asians

\(^{21}\) At their 1994 meetings in Bogor, the APEC Leaders set a goal of achieving free and open trade and investment in the region by 2010 for industrialized economies and 2020 for developing ones.
called for a dismantling of tariffs in the trade between Europe and Asia in a process analogous to the APEC deadlines for trade liberalization, 2010 and 2020. (Chirathivat and Keefer 1998)

The EU, concerned about being excluded from APEC, fears the world being split into two large trading blocks with APEC setting the pace. These fears were nurtured by the US calls for discrimination against the EU if the Europeans did not follow APEC liberalization but instead enjoyed the benefits of being free riders. (Hänggi 1999) Under this scenario, the ASEM process will develop in tandem with that of APEC, thus, the European free-rider problem would not occur. As for East Asian ASEM members, the majority of them are also APEC members. Consequently, it would not be difficult for them to commit to APEC-like liberalization measures in ASEM, taking into account APEC liberalization based on an MFN basis. In any event, it would help to alleviate Asian concerns over a ‘fortress Europe’ mentality.

Indeed, the East Asian, highly dependent on the markets of the EU and the US, is interested in keeping them committed to the strengthening of an open multilateral trade framework. Under this scenario, it not only brightens ASEM navigation but also provides a decisive momentum to multilateral liberalisation. In recent years there has been dynamic interaction, towards trade liberalization, between regional and multilateral initiatives.\(^\text{22}\) There is a constant need to ensure that regionalism reinforces multilateral trade liberalization on a supportive course and in this regard, both ASEM and APEC are

\(^{22}\) For example, the Bogor and Osaka summits committed APEC to a leadership role in the WTO system by agreeing to accelerate the implementation of Uruguay Round liberalization and to pursue its regional initiatives in a manner that conforms to and reinforces WTO disciplines. (Schott, 1996, p. 305)
expected to be a positive force for continued multilateral openness. As the momentum towards such liberalization under APEC has been sidetracked by the failure of its Early Voluntary Sectoral Liberalization (EVSL), this has heightened the importance of ASEM’s ability to play a substantive role in supporting further liberalization of the multilateral trading system.

One can argue that this scenario seems to be much too ambitious to achieve considering the current development stage of ASEM. If, however, one merely remembers that it took only 6 years for APEC to set such a goal, it does not seem to be too early to articulate these ideas in ASEM. The problem lies in ASEM’s low level of follow-up action on identified trade and investment problems. While APEC holds four high-level problem-solving sessions each year, ASEM holds only two on average. This needs to be changed if ASEM really wants to step forward toward a meaningful objective, beyond its current stage of merely being a consultative forum.

There are some who cannot agree with the first scenario arguing that ASEM can not be a forum where targets for the establishment of free trade between Asia and Europe would be set. According to them, ASEM, as a meeting place, can and should act as a body for information exchange and possibly as a watchdog for an open multilateral economic environment. (Lehmann 1998) This second case can be referred to as ‘ASEM’s own pace of evolution scenario’. In this case, ASEM’s main areas for a common agenda in the economic sphere seem to be:

(1) concerted efforts for open multilateralism in general and investment liberalization in particular
(2) reinforcement of technology transfers combined with protection
of intellectual property rights\textsuperscript{23)}

(3) active transfer of knowledge, especially in areas such as education and human resource development

(4) improvement of infrastructure linkages

(5) enhancement of business exchanges through the AEBF

If one scrutinizes these agenda, one could find that they are basically aimed at developing the aforementioned information networks. Consequently, ASEM provides infrastructural assistance to the facilitation of these information networks. One practical way to achieve it would be to launch an Asia–Europe Trade Week (AETW) as recommended by the ‘Asia–Europe Vision Group’ in their report. Other fresh ideas can be found in abundance in the Vision Group report. For example, recommendations on a Declaration on Education, an ASEM Scholarship Program and the like can be excellent candidates for item (3) above.

However, under this scenario, ASEM still remains a consultative forum. It is questionable whether ASEM will truly be meaningful in the sense that it helps to keep the US committed to global multilateralism. It can be a watchdog for multilateral openness but would not be able to bark.

Which one will be more plausible scenario? Taking account of the new initiatives agreed upon at EMM II, including a non-binding study

\textsuperscript{23)} According to Higgott (1996), IPR is potentially one of the most difficult areas of the relationship to be managed over the next decade. It is an area that needs to be worked on by governments in order to minimise the prospect of conflict. The wider implication of this change is that so-called Asian resistance to the European, legal and formal, way of doing things can be expected to diminish over time.
of the TFAP and a voluntary report and review mechanism conducive to FDI, a more plausible scenario will be somewhere in between the two. While the Europeans, with a result-oriented negotiation style, pursue a deductive approach which rests on voluminous treaties precisely prescribing what cooperation should achieve and how the stated objectives are to be attained, the Asian concept is more inductive as it settles for incremental cooperation without a detailed road map for implementation. (Jürgen 1999) Taking these conceptual differences of the two parts as a matter of course, it is not likely that they will easily be able to reach a consensus. It needs to be noted that only the ASEM members’ keen perception of self-interest motivates and inspires them to take further steps and to continue the process.

**EAST ASIA**

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<td>Finance &amp; Banking</td>
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<td>Consumer Non-Durables</td>
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<td>Aerospace Environment</td>
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<td>EUROPE</td>
<td>Consumer Electronics</td>
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<td></td>
<td>Information Technology</td>
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<tr>
<td>Weak</td>
<td>Source: Jung and Lehmann (1997)</td>
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In this context, whatever the case might be, one should bear in mind that the Asian and European industrial sectors are primarily complementary, both in manufacturing and in services and are, thus, expected to provide vast potential for cooperation. There is relatively little scope for head-to-head confrontation between Asian and European companies. In a panoramic overview of Asian and European
comparative industrial strengths and weaknesses, the above sketch emerges. (Lehmann 1998)
VI. Concluding Remarks

Throughout this paper, agenda setting for next ASEM summit was discussed, and aided by the testing of the ‘subsidiarity question’. Several features deserve review. First, progress achieved at ASEM does not yet meet the requirement dictated by the subsidiarity question. Consequently, ASEM will have to become more than a venue for verbal exchanges, and the ministerial rhetoric extolling its achievements, if it is to survive in the new millennium. As for the future of ASEM navigation, there seem to be two broad scenarios: the ‘APEC type evolution scenario’ and ‘ASEM’s own pace of evolution scenario.’ Second, under the ‘APEC type evolution scenario,’ a more forward-looking strategy for ASEM would be aimed at achieving a goal matching trade liberalization measures and non-binding regional investment initiatives, such as those in place in APEC. Under this scenario, especially with regard to trade liberalization, it not only brightens ASEM navigation but also provides a decisive momentum to multilateral liberalisation. Third, under ‘ASEM’s own pace of evolution scenario’ its agenda will be basically aimed at developing information networks. Much of the economic agenda can be left to the markets to manage. ASEM would still remain a consultative forum. Consequently, it is questionable whether ASEM will truly be meaningful in the sense that it helps to strengthen or open up the multilateral trading system. Under this scenario, a possible agenda would merely be follow-up activities on ongoing works, namely: (1) concerted efforts for open multilateralism in general and regional investment liberalization in particular; (2) reinforcement of technology transfers combined with protection of intellectual property rights; (3)
active transfer of knowledge, especially in areas such as education and human resource development; (4) improvement of infrastructure linkages; and (5) enhancement of business exchanges. One practical way to enhance information networks is to launch an Asia–Europe Trade Week (AETW). Fourth, taking into account the new initiatives agreed upon at EMM II, including a non-binding study of the TFAP and a voluntary report and review mechanism conducive to FDI, a more plausible scenario will be somewhere in between the two. Fifth, whatever the case is, one should bear in mind that the Asian and European industrial sectors are primarily complementary, both in manufacturing and in services and are, thus, expected to provide vast potential for cooperation. Lastly, what is certain is that out of the current crisis comes a new opportunity to build a much stronger, more varied and longer-lasting Asia–Europe relationship. Now, the time has come. Following the recovery from financial turmoil in East Asia and the successful launch of the Euro, the conditions have been improved for ASEM to make a quantum leap in the new millenium. For more than just symbolic reasons, the year 2000 provides an excellent occasion for building a more grandiose vision of ASEM which should serve as the foundation for a solid international economic order for the twenty-first century.
References


본 연구는 제3차 ASEM정상회의의 경제협력분야의 의제선정을 탐구하고 있다. 내년 정상회의는 2000년이라는 상징적 의미는 물론, ASEM의 회고와 전망을 통해 의제를 구체화하고 목표를 강화하기에 적절한 기회라고 볼 수 있다. 동 문제를 취급할 때, Gerald Segal이 처음 제기한 바 있는 'ASEM의 보조성(subsidiarity) 원칙'을 사용하여 ASEM경제협력분야의 최근 성과가 과연 ASEM차원에서 목표하고 있는 최선의 결과인지 점검하는데 중점을 두고 있다.

본 연구를 통해 도출된 몇 가지 주요 논점을 지적하면 다음과 같다.

처음, ASEM경제협력분야의 최근성과는 보조성 원칙을 만족시키지 못하고 있으며, 따라서 ASEM이 새로운 세기에 살아 남기 위해서는 지역대화체 단계를 뛰어 넘어 도약할 필요가 있다. ASEM의 발전방향과 관련 ‘APEC류의 발전’ 및 ‘ASEM 고유의 발전’으로 크게 두가지 시나리오를 구성해 볼 수 있다. 둘째, 전자의 경우, ASEM 역시 APEC과 유사한 무역자유화 및 비구속적 투자규범을 주요목표로 설정하는 것인데, 이 경우 ASEM차체의 역동성을 강화함과 아울러 개방적 다자체제를 지원하는 기능도 동시에 수행하게 된다. 셋째, 후자 즉 ‘ASEM고유의 발전’은 ASEM이 지역대화체 단계에 머물러 있으면서 기본적으로 양 지역간 정보네트워크를 강화해 주는 역할을 담당하는 경우인데, 상태수 의제는 진행중인 사안에 대한 후속조치 수준을 넘지 못할 것으로 보인다. 이 경우 예상의제로는 (1) 다자 무역 자유화 및 역내 투자자유화에 대한 공동노력 (2) 지적재산권과 연계된 기술이전 (3) 지식의 이전 (4) 아시아-유럽을 연계하는 인프라 개선 (5) AEBF를 통한 민간 사업 확대 등을 상정해 볼 수 있다. 이러한 목표달성을 위한 실질적인 의제로 ‘아시아-유럽 무역주간’이 효과적일 수 있다. 넷째, 제2차 경제장관회의 이후 다소 진전된 무역 및 투자관련 후속조치 등을 감안할 때, 가장 가능성 있는 시나리오는 첫째 및 둘째의 중간단계 정도로 생각해 볼 수 있다. 다섯째, 아시아와 유럽은 제조업은 물론 서비스업종에 있어서도 산업구조상 상호보완성이 있으므로 양 지역간 경제협력의 잠재성이 상당히 높다고 볼 수 있다. 마지막으로 아시아 금융위기의 해소 및 유로화의 성공적인 출범으로 ASEM은 새로운 전기를 맞게 되었으며, 제3차 정상회의는 양 지역간 경제협력의 창사진을 제시하고 중요한 모멘텀을 부여할 수 있는 절호의 기회가 될 것으로 보인다.
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