

Asia and Europe must talk more about shared economic challenges

By Shada Islam

Times change. Five years ago, as the Eurozone economies felt the first tremors of what turned out to be a long and painful financial and economic crisis, European Commission President José Manuel Barroso appealed for Asian support.

There was no room for protectionism, isolation and economic nationalism, he said. “We either swim together or sink together”, Barroso told leaders at an Asia-Europe Meeting (ASEM) in Beijing in October 2008.

As foreign ministers from the 51 ASEM partner countries prepare to meet in Delhi on November 11-12, the world economic outlook has changed: industrialised nations now show stronger growth while emerging nations – which helped keep the global economy afloat during the crisis – are slowing down.

Barroso’s message of cooperation, however, still resonates.

To ensure the current fragile global recovery gathers steam, Asia and Europe must continue to work together to prevent sudden distortions and keep their national economies on an even keel.

This requires a stronger focus on the economic “pillar” of ASEM and a resumption of regular meetings between economic experts, policymakers and business leaders from both sides.

Senior ASEM economic officials have not met since a gathering in Rotterdam in 2006. Several Asian and European governments believe these contacts should be revived ahead of the ASEM summit to be held in Europe in autumn 2014.

Given the growing economic interdependence between Asia and Europe, there is certainly a case to be made for more frequent region-to-region contacts on economic questions.

Trade between the EU and Asian ASEM countries is currently valued at almost 900 billion euros a year. European companies are also leading investors in Asia. In 2010, 17.2% of EU outward investment went to Asia.

Over the last five years, exports to Asia have played a vital role in helping Eurozone economies to keep their head above the water.

Asian governments, aware of their vulnerability to Eurozone woes, especially the impact of falling European demand on their exports and growth rates, have also gone out of their way to voice support for the euro.

Europe, meanwhile, has kept its markets open to Asian goods while European companies continued to invest in Asia.

In 2012, Asia accounted for 29.8% of EU imports and 21.4% of exports. Four Asian countries are amongst the EU's top ten trading partners, with China (12.5%) taking the top spot, followed by Japan (3.4%), India (2.2%), and South Korea (2.2%). Singapore follows closely (1.5%).

As free trade initiatives boom in Asia and the Doha Round of multilateral trade talks continues to mark time, the European Union has actively pursued trade-expanding free trade negotiations with several Asian countries, including Singapore, South Korea and Japan.

The EU drive has coincided with Asian efforts to forge a free trade arrangement known as the Trans Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) linking all leading economies in Asia.

The first comprehensive free trade agreement (FTA) between the EU and an Asian country – South Korea – has been in force since 2011.

At the end of 2012, the EU and Singapore concluded a comprehensive FTA, the first with an ASEAN country covering trade, services and promoting 'green growth'. Talks on investments are on-going.

FTA negotiations with Japan began in April 2013 and additional FTA negotiations with Malaysia, India, Vietnam and Thailand are continuing.

Both Asia and Europe face the over-arching common challenge of ensuring strong, job-generating, sustainable and inclusive growth. The two regions are also focusing on promoting low-carbon or green growth.

Asia's economic performance has taken a hit in recent months as foreign investors have left the region in favour of developed markets.

As the Asian Development Bank (ADB) said recently, growth forecasts for Asia have been trimmed by 0.3 percentage points to 6.3 percent in 2013 and 6.4 percent in 2014.

Meanwhile, although the European economy is projected to return to growth by the end of the year, the process is proving to be slow and difficult.

Interestingly, policymakers in Asia and the Eurozone are under pressure to step up economic reforms to speed up recovery.

Asia and Europe also face a shared challenge of creating new jobs, especially for young people. Youth unemployment is widely viewed as the biggest threat to Europe's economic future. Some 23.8

percent of under-25s (or more than 3.5 million young people) are unemployed in the Eurozone, according to Eurostat.

The ADB has also warned that unemployment and underemployment are Asia's most important problems. On conservative estimates, the region is home to about 500 million workers who are either unemployed or underemployed, many of them young people.

Guy Ryder, director-general of the International Labour Organisation (ILO) points to another shared challenge: many of the new jobs in Asia and Europe require skills that jobseekers do not have.

"Governments should step up efforts to support skills and retraining activities in order to address such mismatches which particularly affect young people," he says.

They may not come up with magic solutions, but Asia and Europe stand to gain from a frank region-to-region exchange on these and other common economic challenges.

Such a conversation would benefit bilateral Asia-Europe economic ties but also provide a much-needed boost to global economic governance.

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