



**Connecting Civil Societies III:  
An Asia-Europe Dialogue on Economy and Society  
17 – 18 October 2008, Beijing, China**

**CONFERENCE REPORT**

Asia and Europe together represent 60% of the world's GDP, underscoring the importance of the two regions in the world economy. This situation cuts both ways however: in this time of economic turbulence, the destructive impact of the sub-prime crisis in the US financial markets last year has metamorphosed into a financial and banking cyclone that has now sucked in Europe and Asia. The two-day conference **Connecting Civil Societies III: "An Asia-Europe Dialogue on Economy and Society"** began on 17<sup>th</sup> October, just as Chinese Foreign Minister Yang Jiechi announced the preceding day that the global financial crisis would be the first priority of the 7<sup>th</sup> ASEM Summit among other issues. Bringing together 50 participants from government, NGO, media, academic/research and business sectors, the conference was organised by the Asia-Europe Foundation, the Research Center for Sustainable Development of the Chinese Academy of Social Sciences, the Irish Institute for Chinese Studies of University College Cork and the United Nations University Centre for Regional Integration Studies—in co-operation with the Asia-Europe People's Forum and the Asia-Europe Business Forum and with support from the European Commission.

In all the discussions, the invited experts emphasised the linkages between the three issues: **food security, energy security and financial market stability. The three crises are inter-related;** they may also be related to what we can call a crisis in climate change, a crisis in sustainable development, widening inequalities and stagnation in the fight against poverty. There are serious consequences of all these crises for human security, human rights, democracy, gender equality and global decision-making in dealing with all these challenges.

Policies to address all these challenges should be based on sound analysis of the factors behind these crises. In this conference, an intense debate took place about the underlying factors. Experts and sectoral representatives exchanged views and came to some agreement, but disagreement about fundamentals remained—particularly on the analysis of the causes and prescriptions for the current financial crisis. However, it was generally undisputed that **current policy approaches have so far resulted in some serious failures and new approaches are due.** Some consensus seemed to emerge, among which include the following key messages:

1. Concerned actors need to distinguish between and among: firstly, **short-term** emergency and crisis management; secondly, **medium-term** policy formulation in order to improve policies; and, thirdly and ultimately, **institutional reform**.
2. Sometimes **policies are well-intended and do have positive effects in initial stages but turn out badly** later on.
  - For instance, in the field of finance, the securitisation of mortgages, introduction of the sub-prime model, and also the initial policy advice that was given during the 1997 Asian financial crisis for governments to leave the markets to correct themselves with minimal government intervention.

- Other examples in the field of energy include dam construction for hydro-power which can have negative social consequences for the people living in the areas or negative ecological consequences—if the government and investors are not compelled to effectively mitigate such harmful kinds of impact.
- Another example was in trade and food security such as export levies on grain to protect consumers with negative consequence on global production.

We agree that there is a relationship between the real economy and the financial sphere. Imbalances in the real economy due to distorted production patterns, and market failures may give rise to excessive market volatility. On the other hand, financial speculation may give rise to a distortion of the allocation of investments. We did not agree on the exact nature of all these relationships. The key message to ASEM leaders was to continue the analyses of all these distortions and these imbalances, not only of markets but of public policy-making.

The purpose of criticism is not to apportion blame but to consider opportunity cost and benefits in a timely way to design integrated policies, as well as to regularly review practises and correct them on the basis of newly-emerging insights.

3. With regard to **enhancement of international institutions**:
  - a. There is a need for more intensified intra-Asian integration and co-operation, in particular in the fields of energy, climate change, and finance.
    - *Intra*-regional cooperation is a prerequisite for better *inter*-regional co-operation to address the consequences of global challenges.
    - Examples have been mentioned, for instance, Asian swap arrangements in international finance or intra-Asian co-operation in the field of renewable energy.
  - b. It was very strongly emphasised for actual need to strengthen multilateral co-operation including some reform of world multilateral institutions such as the G8, the UN Food and Agriculture Organisation, among others. Some suggestions were made to reform G8 relations. Another suggestion was the reform of the IMF to make it more representative and less dominated by some countries in order to make it more credible.
  - c. New mechanisms to oversee and regulate the global, cross-boundary financial institutions operating on financial markets must be developed.
  - d. Finally, the need to create a crisis management mechanism within ASEM was suggested.
  
4. As far as institutions were concerned, through all the discussions, there was a clearly strong desire to **include business and civil society in policy design, policy making and in particular in the review** of the consequences of specific policies in order to change the policies on the basis of those reviews, appraisals and assessments. This is necessary in order to make policies more effective. There is also a need for business and grassroots organisations to call for accountability and transparency in public policy-making.

The discussion took place in the midst of the current international financial crisis. The world has seen a number of global financial crises in the past: the financial crisis following the rise of oil prices in 1973, for instance. However, some countries and the international community used these crises as a reason not to implement their commitments in other fields. There is a fear that the present financial crisis will obscure other global priorities such as those on energy transition, food security, climate change, poverty alleviation and meeting of the Millennium Development Goals.

One definitive message to the ASEM Summit from the conference was: **Leaders, not losing sight of the on-going crises and the need for regional and inter-regional responses to these common problems, maintain your commitments to enhancing broader human security.**

## **Messages and Recommendations on the Financial Crisis, Food Security and Energy**

### On managing the current global financial crisis

1. ASEM should promote greater co-operation in monetary and financial affairs within Asia and Europe and between the two regions. Such co-operation should be built on existing regional arrangements and initiatives such as the Chiang Mai Initiative .
2. Asia and Europe should work on improving their economic policy frameworks to make their economies less vulnerable, less pro-cyclical and more sustainable. In this context countries with large current account surplus should take measures to promote domestic demand.
3. ASEM should take all appropriate measures to restore trust and confidence in the financial system. A good example is to identify a role that Sovereign Wealth Funds (SWF) can play in stabilising the financial systems. While national security is a legitimate concern but it should not be a pretext for protectionist policies of the recipient countries. It is important therefore that owners of SWF and recipient countries adopt certain generally accepted principles and practises such as 'Santiago Principles' and the OECD investment policy principles.
4. Asia and Europe reject short-termism and should encourage the development of a longer term oriented, sustainable financial system with an appropriate regulatory and supervisory framework in the public interest.
5. Asia and Europe should support all initiatives to ensure transparency and accountability with regard to the activities of bankers, regulators, accountants and credit rating agencies.
6. Asia and Europe should set-up a mechanism to consider the long-term challenges faced by financial markets, which should involve all stakeholders, including representatives from civil society.

### On ensuring long-term food security

ASEM Leaders are called upon:

1. **not** to allow the financial crisis to divert their attention from addressing the worsening food crisis with all its implications;
2. to remain committed to reducing poverty given the direct link between food security and poverty alleviation;
3. to consider the serious impact of export-oriented agriculture for rural sectors and on the environment;
4. to furthermore consider the impact of protectionism in the agricultural sector on global food security;
5. to enhance their efforts to reform UN agencies, in particular the Food and Agriculture Organisation (FAO) in order to more effectively address the food security challenge.

We recommend ASEM Leaders to

1. Address the food security challenge in their talks in Beijing;
2. **Mandate** their relevant Agriculture, Environment and Development Ministers to meet as soon as possible in order to address these issues and more specifically support the following:
  - a. innovative inputs and inter-regional exchanges;
  - b. the exchange of best practise including the impact of chemical fertilisers and pesticides;

- c. the education of women and girls in Asia given their key role in rural development;
  - d. research on the impact of climate change on agriculture and food production.
3. Facilitate greater transparency in the processes leading to Free Trade Agreement negotiations, and especially in Asia we recommend greater involvement of civil society and better access to information.
  4. Ensure that the development of Biofuels shall not occur at the expense of food security at the national and international level.
  5. Enhance the role of the Asia Europe Foundation in order to address the issue of food security with all stakeholders including the media.

*On energy security and co-operating on climate change*

1. The lead taken by the EU in the field of climate change is applauded. However, there is fear that at the end of the first period of implementation period of the Kyoto Protocol, the Annex 1 countries member states will not live up to their commitments.
  - a. If Europe does not meet its commitments, other countries (particularly developing and emerging countries in Asia) might rightly question Europe's credibility and be disincentivised against commitments in the implementation period following 2012.
  - b. To avoid this major step backwards, European and Asian countries are urged to ensure far-reaching and binding agreements at the 15<sup>th</sup> UNFCCC Conference of Parties in 2009, to ensure that emission reductions follow a patterns set by the Inter-governmental Panel on Climate Change.
  - c. These commitments should be ambitious, and they should not be diluted by policies that would enable countries shying away from cuts in carbon emissions to resort to policies oriented toward mere absorbing or trading emissions.
2. European and Asian countries should work together towards transition to low carbon energy. Europe can set an example to be followed by others but that example should be discussed with governments and business in Asian countries, so as to enhance their credibility, feasibility as well as their effects.
3. In this respect, close cooperation should take place between European and Asian countries in sectors such as:
  - a. the design, production and standards-setting of energy efficient consumer durables, many of which are produced in Asia for the European market;
  - b. the development of third generation biofuels that are not grain-based;
  - c. technology developments and standard-setting for renewable energy and construction.
4. ASEM fora dealing with trade facilitation and investment action programmes should focus explicitly on fostering energy efficient and sustainable energy-based investment, production and trade patterns.

**Recommendations regarding government, business, media & NGO co-operation**

We call upon ASEM leaders to:

1. Continue their efforts to prioritise specific Europe/Asia common challenges such as the financial crisis, food and energy security;
2. Create a crisis response mechanism within ASEM, involving a small number of members;
3. Enhance the roles of the various existing mechanisms and networks such as the Asia-Europe Foundation, the Asia-Europe Business Forum and the Asia-Europe People's Forum;
4. Promote other networks between Asia and Europe.
5. Consider strengthening the role of ASEF in the implementation of their activities.

In co-operation with business groups:

1. ASEM in tandem with the business communities should establish programmes to facilitate youth exchange between the two regions.
2. ASEM can forge stronger links among the two regions business communities by strengthening the role of the Asia Europe Business Forum (AEBF).

In co-operation with the media:

1. ASEM should promote greater exchange between media outlets and professionals to strengthen the relationship between existing institutes and media organisations, for example Asia Pacific Broadcasting Union (ABU) and the European Broadcasting Union (EBU).
2. ASEM should expand existing media research initiatives to promote greater understanding of the two regions.

In co-operation with NGOs, mass organisations, grassroots organisations and citizen's associations:

1. ASEM governments need to engage civil society directly in its activities through more regularised and structured mechanisms e.g. a contact point for civil society in each ASEM government through an open door policy that accepts legitimate civil society concerns, that represents a plurality of voices and that respects freedom of expression and access to information.
2. ASEM governments need to be more accountable to their people and, at least, their parliaments with respect to the dialogue, recommendations and any decisions made at the ASEM level.
3. ASEM governments need to consider social protection in crafting policies and consider the most vulnerable sectors and the disadvantaged, whether it be on financial, energy or food security policies or other policy concerns.

Annex:  
Conference Programme

This report was prepared with the conference Main Rapporteur, Dr. Jan Pronk, former UN Special Representative of the Secretary-General to Sudan and former Special Envoy of the UN Secretary-General to the World Summit for Sustainable Development and the following workshop rapporteurs: Dr. Raymond Atje, Head, Economics Department, Centre for Strategic and International Studies (Indonesia), Mr. Ou Virak, Director, Cambodian Center for Human Rights and Alliance for Freedom of Expression; Mr. Richard Werly, Journalist, Le Temps.

The views and opinions expressed herein do not necessarily reflect those of the conference organisers.

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