

**Panel Discussion on “What can ASEM deliver in response to the current crises in the world economy?” (Connecting Civil Societies III, 17 October 2008, Beijing)**  
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**INTRODUCTION**

I couldn't help but noticed the irony as we gathered today in Beijing to discuss what ASEM can deliver in response to current global financial crisis.

10 years ago in 1998, the 2<sup>nd</sup> ASEM summit was held in London in the midst of an Asian financial storm. Many of the Asian countries were then reeling from the impact of the crisis. Despite uncertainties if the 2<sup>nd</sup> ASEM summit would take place, EU showed that it was not just a fair weather friend by announcing the set up of an ASEM Trust Fund to help the affected economies re-structured its financial sector and cope with the social fallout of the crises. EU also pledged to keep its markets open to Asian exports and China not only contributed to the ASEM Trust Fund, but also promised not to devalue the yuan.

10 years today, in 2008, we are faced with another bigger crisis that originated not from Asia or Europe, but from America. Unfortunately, when America, the largest economy in the world sneezes, everyone catches a cold. In particular, Europe has been seriously hit by the crisis. As Europe and Asia get caught in this contagion, what can ASEM do if it is not to be written off as APEC was during the Asian financial crisis? Would Beijing step up as it did in 1998 to ensure situation does not worsen, and perhaps assume a more pro-active leadership role to help find a solution to the current mess we are in.

**ASEM'S RESPONSE**

Before discussing ASEM's response, one must be cognizant of what ASEM is, or unrealistic expectations would bring about undue criticisms and unnecessary disappointment.

ASEM as we know it now is an informal inter-governmental dialogue forum built on a series of meetings, initiatives and projects. Over the years, there had been increasing calls for ASEM to move beyond an inter-governmental dialogue to inter-regional cooperation, from a platform for networking to an instrument for problem-solving. Yet, it remains essentially a dialogue instrument that perhaps need a little polishing. As it is often crisis brings out opportunities. So as ASEM enters its 12<sup>th</sup> year in the midst of this crisis, there are perhaps opportunities for Asia and Europe to inject more energy and momentum into their partnership so as to revitalise and reinforce ASEM. There are several steps that leaders can take at the upcoming ASEM 7 summit to address this global financial crisis:

**Making a clear and coherent statement on the crisis**

In recognition of the severity of the crisis, China has made the global financial crisis a first priority in the agenda for the upcoming summit. This is necessary, and it would

be better if a separate statement (from the Chairman's statement) be issued on the crisis. The clear and concise statement should be aimed at restoring the confidence of the people towards the global financial system and not to engage in any blame game for the current crisis.

Drawing on the positive lessons learnt from the 2<sup>nd</sup> ASEM Summit held in the midst of the Asian financial crisis (in contrast to the APEC summit in Vancouver), the statement must be measured and credible, not over-promising but with some thoughts on some immediate steps that need to be taken jointly by all governments to generate confidence and forestall any knee jerk protectionist reactions.

### **Keeping protectionism at bay**

There are great concerns that the current global financial crisis would further erode the support for globalisation and internationalism. Populist governments in response to domestic concerns may institute protectionist, beggar thy neighbour policies that may have a short-term "feel good" effect but catastrophic in the long run. It is therefore all the more important that the ASEM 7 summit seeks also to revive the WTO's Doha Development Agenda, and acknowledge legitimate social welfare concerns to forestall rising protectionist sentiments.

### **Reaffirming multilateral approach towards addressing global challenges**

Asian and European leaders have consistently used the ASEM platform to reaffirm the principles of multilateralism in addressing global challenges. As we moved from a unipolar world to a yet to be defined new world order with its undercurrents and uncertainties, it is all the more important to work and strengthen a rule-based, multilateral system to dampen and forestall big power rivalries that may lead us down the road of "might is right".

### **Revisiting the call for reforms of international institutions**

Closely related to building faith and confidence in multilateralism is the need for the reform of international institutions, particularly those established in the immediate aftermath of World War II. The 20<sup>th</sup> century institutions may not be totally equipped to address the challenges of the 21<sup>st</sup> century

When ASEM was launched in 1996, there were discussions on the reforms of the UN and the international financial architecture. But all these were put on the backburner because of lack of consensus, and not seen as a priority. However, the current global financial crisis has again called into question the role of international financial institutions such as the International Monetary Fund (IMF). The opportunity to jumpstart serious discussion on the reform of the IFIs is now. Though ASEM may not be the ideal platform without the presence of the US and other emerging markets such as Russia and Brazil, ASEM with its 43 member states have a combined 60% of global GDP could catalyse the dialogue and inject momentum and urgency to this task.

ASEM with its informality and diversity makes it an ideal platform for testing new ideas.

### **Asia-Europe Trust Fund II?**

When the Asian financial crisis hit the Asian countries in 1997/98, the establishment of the ASEM Trust Fund was an important symbolic gesture of Asia's and Europe's commitment to a long term partnership.

President Arroyo has jumped the gun a few days ago announcing that the ASEAN + 3 countries together with IMF and WB have agreed to set up a standby fund of US\$10 billion to help ASEAN countries cope with severe liquidity problems. While this proposal apparently is still at a drafting stage and nothing has been firmed up, a meeting on the sidelines of the ASEM 7 summit to discuss a more coordinated Asian response to the crisis, and determined if there is a need for an Asia-Europe Trust Fund might not be a bad idea. IMF, WB and ADB officials should be included in this meeting.

### **CONCLUSION**

Thirty-eight heads of state out of the 43 Asian and European countries, plus the President of the European Commission and the Secretary-General of ASEAN will be attending the upcoming ASEM 7 summit. Although ASEM is only a dialogue forum, still expectations will be raised as so many world leaders gathered in Beijing.

China as the host and chair of the ASEM summit must seize the opportunity to strengthen Asia's and Europe's role and responsibility in international affairs by making the right statements, calling for concerted actions and having a few concrete projects that would help the world address the current financial crisis.