

ADDRESS BY SERGIO PININFARINA

*"The outlook for economic relations
between Europe and Asia
following the Bangkok Summit"*

Dear Minister,
Chairmen Agnelli and Chino,
Ladies and Gentlemen,

I am very happy to participate in this important meeting and to have been invited to speak on a most important theme: the outlook for economic relations between Europe and Asia.

- 1 - Our two continents, both today and in prospect, are the two most important economic forces outside America and therefore play a key role as poles of development for the global economy.

If we look more closely at this reality, we find that Asia has -- and for some years now has had -- the higher rate of economic growth. In some cases -- such as the emerging countries of South-East Asia -- the starting point for this growth has frequently been a stage of economic development marked by a prevalence of agriculture and import substitution. In other cases -- such as Japan -- the growth involves economies that are already highly industrialized.

Europe, by contrast, has a centuries long history of gradual and notably complex industrial development and has succeeded in creating the largest integrated consumer market to be found in the world today, with a high level of disposable income and a widespread distribution of technology.

- 2 - While Asia is achieving very high growth rates, there are pronounced disparities in the absolute level of development within the region and a limited degree of political and economic cohesion; on the other hand, Europe has lower growth rates, but these are

accompanied by higher absolute levels of economic development and a degree of cohesion which has permitted the European single market to be implemented through effective political and economic cooperation among countries with different backgrounds.

The relationships that are now being built with the countries of Eastern Europe and the Mediterranean are tending to extend this economic entity in extremely important ways, both as regards the enlargement of the European Union and as concerns the creation of a Mediterranean free trade area.

- 3 - Looking ahead to the medium and long run, Europe certainly takes a favourable view of the progress being made towards greater economic cohesion in Asia, a necessary condition for ensuring the growth of world trade.

Europe is more than ready to cooperate with Asia to foster this process, also by exploiting its more than forty years' experience in the field of political and economic cooperation.

In this domain it is essential that the approach adopted be based on the concept of "open regionalism", so as to exclude any temptation to resort to protectionist isolationism.

The goal must be to increase the cohesion of the Asian region without creating new obstacles to international trade, in compliance with the rules of the World Trade Organization governing the establishment of free trade areas and customs and economic unions, and with the aim of progressively enhancing the liberalization of world trade.

In this process the interests of Japan, which is the leading industrial pole in Asia, largely coincide with those of Europe. Both sides, in fact, have a common interest in closer links between Asia and Europe and a process of integration that, in addition to

improving the efficiency of the two regions' economies, is likely to make a major contribution to the orderly development of world trade.

- 4 - The most delicate and least satisfactory aspect of today's relations between Europe and Asia is the low level of inter-regional investment, when one considers that the proportion of total world foreign direct investment absorbed by Asia rose to 26% in 1995.

The stock of European Union investment in Asia currently amounts to only 4% of the total foreign direct investment of the 15 member states, whereas the corresponding figure for US investment in Asia is 9% and that for Japan no less than 30%.

Moreover, excluding Japan, Asia's contribution to direct investment in Europe is even smaller, amounting to no more than 1.1% of the region's total foreign direct investment, some 70% of which appears, besides, to be intra-regional.

There is thus a clear interest on both sides in promoting new initiatives, aimed at improving the climate surrounding direct investment activity and firms' knowledge of the reciprocal opportunities that exist.

Special attention needs to be paid to the aspects more closely concerned with cooperation in the fields of science and technology. Employers' associations, universities and public and private research centres can play a decisive role in this domain, where new opportunities need to be sought for expanding scientific and technological exchanges, also with the aim of directly involving the new generations of scientists and researchers. The, necessarily common, objective must be to achieve a rapid and substantial increase in the human resources available for the concrete development of relations between Europe and Asia.

- 5 - It is essential, I believe, that the process of drawing the two regions closer together and increasing cooperation between them not only be carried forward at the official level and by governmental authorities but also directly involve the corporate world, which possesses the operational instruments for implementing development initiatives in the market place.

It is therefore especially important that the efforts already under way to strengthen the dialogue between Europe and Asia be supported by a direct involvement of businessmen, both as heads of companies and as opinion-makers. The establishment of an Asia-Europe business forum is thus a valuable step along this road. Confindustria and Keidanren are called upon to perform a crucial function in this process, in view of the leadership role they perform in the business communities of our two countries.

A concrete example of such involvement was provided a few days ago, when the Asia-Europe Meeting (ASEM) met for the first time in Paris. Some 400 businessmen from the two regions participated, with large numbers of industrialists attending from both Italy and Japan.

- 6 - The issue of relations between Europe and Asia was recently addressed by the "Eminent Persons Group", set up within the framework of the dialogue between the European Union and ASEAN. Since I had the honour of being part of this Group, I can tell you that the analysis conducted on that occasion, albeit focused specifically on matters concerning ASEAN, identified several factors of great importance for tackling the problems and enhancing the prospects of Asia-Europe relations. It is worth recalling here the key points that emerged from the analysis:
- the principle underlying cooperation must be that of a "partnership between equals", based on balanced common interests and mutual benefits;

- the two sides must strengthen the programmes for accelerated liberalization, by rapidly lowering the remaining tariff and non-tariff barriers in accordance with the rules agreed within the World Trade Organization;
- it is essential that the cultural and scientific aspects of relations between Asia and Europe be enhanced, with a view to raising the level of mutual understanding and reciprocal cooperation in these fields;
- the occasions and fora for European and Asian businessmen to exchange information must be increased so as to improve their knowledge of the reciprocal market opportunities that exist. More effective information of this kind should make it possible, in particular, for small and medium-sized enterprises to be included in new agreements on cooperation in the commercial and manufacturing spheres, so as to create a much more extensive network of businessmen and businesses interested in European and Asian markets;
- in the case of relations between Europe and ASEAN, we have proposed the creation in both European and Asian countries of a new form of organization, known as ASEAN-EU Business Houses, for the promotion of economic, industrial and cultural exchanges between the two regions consistent with the level of economic integration reached.

The guidelines I have described are of general application, but they have been formulated primarily with the recently industrialized Asian countries in mind. This, of course, is not Japan's case, since it is one of the leading industrial powers in the world and one with which we have acquired a great deal of experience in matters concerning reciprocal cooperation.

This shared experience is likely to be of considerable help in finding concrete solutions that will benefit cooperation between Asia and Europe; I am convinced that Italian and Japanese businessmen can make a major contribution to this important objective.