

Speech script 2014 - 3

**Asia-Europe Economic Cooperation:
Current Status & Prospects for the Future**

**Given at the Asia-Europe Business Forum
Keynote Speech**

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(Timed for 10 minutes)



[Acknowledgement of dignitaries]

Ladies and gentlemen... Good morning.

It is my pleasure to be with you in Milan this morning, among a distinguished audience representing industries across Europe and Asia -- two regions that are indispensable in the global economy.

[The importance of Asia-Europe economies]

Europe is not only the birthplace of the industrial revolution // It is a unique collection of countries / that have achieved advanced economic development / on the foundations of democracy, open economy principles, and regional integration. // It leads the world today in skills focused education, advanced technology, / inclusive growth, / and sustainability.

Asia on the other hand is now the fastest growing region in the world (at 3.9% regional growth rate since 2008) / with the greatest potential for further growth. //

It now accounts for 34% of the global GDP, and 38% of global trade, surpassing Europe's 24% share of global GDP and 31% share of global trade.

The economically mature Europe, and rapidly growing Asia are exploiting their natural synergies.

European trade with Asia has grown at an annual average of 8.2% since 2000.

[ASEM's contribution to Asia-Europe Cooperation]

ASEM summits have facilitated the cooperation between Europe and Asia since 1996 as a unique inter-regional forum. These meetings have contributed to political, economic, and cultural cooperation and exchanges.

In particular, the Trade Facilitation Action Plan, and the Investment Promotion Action Plans have addressed important economic issues.

The ASEM DUO fellowship program has supported scholarships and exchanges of University scholars and students, over 2,400 exchanges so far, and Korea has provided significant funding for this initiative.

This business forum, in which we are now participating, is also an important mechanism that helps private enterprises collaborate together, and makes it possible for businesses to work with their respective governments through interaction with them by making appropriate and timely recommendations. This was demonstrated by the four task forces yesterday.

[Current Trend Asia-Europe Economic Cooperation]

Exchanges like these have helped Asia become Europe's fastest growing trade partner:

European investments in Asia have increased at an annual average of 14% since 2000.¹ Likewise, Asia's investments in Europe have grown at an average of 13% per year since 2000.

Joint ventures between industries in the two regions have created globalized enterprises. For example, the strategic alliance between the French carmaker Renault and the Japanese Nissan is entering its 15th year; Cars manufactured in the Renault-Samsung plant in Korea are now being exported to North American markets. This is a remarkable example of globalized commerce.

[Ways forward: Asia-Europe economic Cooperation]

However... despite the increased trade and investments between Europe and Asia, some important pieces should be added to our cooperative framework. Let me suggest six pathways to further our economic cooperation:

First, we must dramatically increase our collaboration in Green technology.

¹ IMF Data, as provided by KITA Research team

Europe is the global leader in greenhouse reduction technology, energy efficiency, and renewable energy. It has decreased its greenhouse emissions by 5% since 1990, and only accounts for 12% of global emissions.

Asia, on the other hand, has increased its emissions by 285% since 1990; it is now the largest emitter in the world, accounting for over 42% of global emissions. This is an unsustainable trend.

Korea has responded with a 30% greenhouse reduction target from Business-as-Usual by 2020. Beginning January next year, we are launching a national Emission Trading Scheme to help meet that target. It will initially involve 526 companies, and it will cover about 66% of total emissions in Korea.

Initiatives like these provide incentives for Asian companies to seek out the latest green technology. European companies will undoubtedly be in a good position to collaborate with Asian partners.

To mitigate the threat of climate change, and for the world to grow sustainably, Asia and Europe must deepen their cooperation on green technology.

Second, we need to expand the network of Free Trade agreements between Europe and Asia... while we are fully committed to the predominance of the multilateral framework in promoting trade and investments.

The only FTA that currently exists between the two regions is the Korea-EU FTA, and it is undergoing a successful implementation.

Even as Europe struggled to fully recover from the economic crisis: because of the FTA, European investments to Korea increased by 47% last year, and although European trade is stagnating everywhere else, its exports to Korea increased by more than 12% last year alone.

The EU has finished its FTA negotiation with Singapore and it is currently negotiating FTAs with such economies as Singapore, India, Vietnam, Malaysia, Taiwan, and Japan, which, when completed will cover 37% of the global GDP.

The completion of these FTAs will have a significant economic impact... especially if the agreements can meet EU's high standards on environment, labor, and other technical regulations to close the various economic gaps between the two regions.

In the long term, we also need to consider mechanisms to formally connect the European Union and the Asian Regional Comprehensive Economic Partnership (RCEP) that is currently under negotiation.

Third, we need to exploit creative synergies between the two regions.

There is a hunger for innovation based economic growth in Asia. You will notice a similar theme of creativity when you consider China's "innovation" policies, Japan's "growth strategy" of Abenomics, and Korea's goal of a "creative economy."

Last November, we celebrated the opening of the Korea Innovation Center-Europe in Brussels, as part of the EU's Horizon 2020 initiative. The center will provide funding for research and development partnerships, and deliver cooperative technical support for businesses.

Europe already has an advanced network of innovative research in fields of environment, energy, and advanced technology. The potential for collaborative synergies between Europe and Asia are obvious.

Fourth, we need to expand cooperation among small and medium sized businesses (SMEs).

Cooperation among big companies in Europe and Asia is already quite advanced. But, cooperation among SMEs, which make up for over 99% of businesses, is insufficient.

Some initiatives are beginning to connect SMEs between Europe and Asia. For example, the Eurostars program, administered by the European Commission and EUREKA, is a promising initiative that provides support and for research oriented SMEs.

Korea will join the Eurostars program as the first non-European member, and we are confident that it will help connect our SMEs with other European SMEs.

Furthermore, Europe has a well-established system of providing skills-based education and apprenticeships for SMEs. Asian economies can collaborate with European partners to establish benchmarks and similar programs that support employment in SMEs.

Fifth, we need to establish more people-to-people exchanges.

As our economic cooperation deepens, expanding sustainable mobility of skilled labor and education exchanges will be necessary.

Currently, Korea has reciprocal working-holiday visa arrangements with 12 European countries. Collaborations like this to expand sustainable labor mobility will be increasingly important as our economic cooperation deepens.

I am encouraged that Universities in Europe are establishing Asia centers and likewise Universities in Asia are establishing European centers, and that there is an active student exchange among Universities.

And finally, we can cooperate in assisting the development and fostering prosperity outside of our regions.

Historically, Europe has had a close relationship with Latin America and Africa; but Asia does not... partly because of the long distance, and partly because we do not share a history together.

European companies can play a key role in helping Asian partners have more interactions with these markets through joint ventures, that otherwise would be unreachable.

[Conclusion]

These six pathways can further the economic cooperation between our two important regions.

In conclusion, I'd like to express a word of encouragement to our European friends. Dr. Fraser Cameron mentioned yesterday, the difficult state of the European Union. Existential questions are being asked of how the European model of regional economic integration will continue.

In times like this, I want to remind our European friends that many of us in Asia are observing and learning from the European Union's experience of regional economic integration. It is an important economic experiment, which sets aside historical challenges and cultural differences to create a beneficial economic region. Your resilience and steadiness in successfully overcoming the strains of economic difficulties have significant implications to your friends and partners in Asia. Your success is important to us.

I am encouraged by the businesses represented here in this forum, because there is an apparent determination to collaborate together.

And I am confident that dialogues and cooperation efforts reflected in this forum, *especially the recommendations that will be presented to the ASEM leaders later this afternoon*, will translate to a more prosperous economic future for both Asia and Europe.

Thank you for your attention.