

8th Asia-Europe Parliamentary Partnership Meeting (ASEP 8)

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Chamber of Deputies

*“The role of Parliaments in fostering Europe-Asia dialogue,
sustainable growth and stronger governance structures”*

Report of Panel 1

Economic and financial governance structures

The first panel on *Economic and financial governance structures* is co-chaired by Hon. Shaohua Zhao, member of the Standing Committee of the National People’s Congress of China, and Hon. Marc Tarabella, member of the European Parliament.

The keynote speech is delivered by Mr Pier Carlo Padoan, Italian Minister of Economy and Finance.

Mr Pier Carlo Padoan underlines that the pressure of the crisis has induced major innovations in the global economic governance with the establishment of the G20, but much more remains to be done.

The recovery of the global economy has been weaker than envisaged: the IMF has revised downward the growth for the world economy at 3.3% in 2014. He points out five relevant aspects: growth, global current account imbalances, unemployment, prices, investments.

Six years after entering the crisis, the EU is still struggling with impending deflation and stagnation. Asia, on the contrary, is expected to continue driving the global recovery. The dialogue EU-Asia is crucial for several reasons: Asia is the EU’s main trading partner and, at the same time, Asia’s future growth depends on access to our markets.

Growth is a common challenge for our two regions but with different features. Although Europe has made remarkable steps forward, new policies must be adopted to avoid stagnation, while in Asia growth should gain strength in the months to come. Differentiated growth patterns in our two regions call for a global concerted action.

Mr Padoan recalls the G20 “integrated approach”, that for the first time explicitly has a joint goal of economic growth and current account imbalances reduction, based on the following pillars: demand support, credit supply, structural reforms and private and public investments. The G20 goal of sustaining global demand and economic growth has led to a G20 call for action also from those countries with a current account surplus.

Italy, in its function of the rotating EU Council Presidency, has worked to support an “integrated policy approach” at the European level and has suggested a number of priority actions: new

investment plans, structural reforms and strengthening the Single Market. Mr Padoan concludes his speech stressing that Italy believes that the crisis cannot be overcome without an effective coordination of economic policies among all main trading partners, Asia in the first place.

Mr. Guglielmo Epifani, Chairperson of the Committee on Economic Activities, Trade and Tourism of the Chamber of Deputies (Italy), states that the crisis has not stopped globalization and the problems linked to economic governance have become even more serious. The role of the G20 should be re-launched by means of a new model of competitiveness and growth. Social rights need to be upheld and action is needed to combat unemployment and inequalities. Long-term growth should be promoted for the benefit of all countries. Mr Epifani points out that feasible converging policies are required, based on effective multilateralism, going beyond the Bretton Woods model. More specific and flexible agreements are needed, with wider and more equitable representation. The production of global public goods could become a benchmark to assess the weight of each country.

Mrs. Shaohua Zhao (China) hopes that Parliaments will strengthen the legal basis of economic governance and urge governments to enhance their coordination within international fora like the G20 and the United Nations, particularly in relation to macroeconomic policies. A reform of the global economic system and its governance should be inspired by the principles of representation and equality, strengthening the voice of emerging and developing countries on an equal footing. Governance reform is the number one priority. The system must be fair, open, orderly and non-discriminatory. The economic system must be open and oppose protectionism in all its forms. Within the WTO we need open and transparent multilateral agreements and we need to avoid fragmentation. A long-term vision centered on innovation is therefore needed. China has avoided the adoption of strong stimulus packages for the economy, with prudent fiscal policies and proactive monetary policies in a phase of moderate growth.

Mr. Stefano Dambruoso MP, Quaestor of the Chamber of Deputies (Italy) affirms that the Italian Parliament is currently ratifying trade agreements with countries of the Far East. Italy's Presidency of the European Union Council must promote the conclusion of trade agreements so as to foster more solid and wider trade exchanges. Italy is negotiating a free trade agreement with Japan. A possible enlargement aimed at including the United States could establish the largest-ever area of free trade in the world.

Mr Andrey Klimov (Russian federation) states that Russia is attending ASEP for the first time in Europe. Russia attaches great importance to economic cooperation and is open to start economic cooperation with new member countries and economic organizations. Western countries are fearful of a possible Euro-Asian economic union, but these are ungrounded fears. The union is a key project for Russia, which has launched an additional integration project involving the BRICS countries.

Mr Zainal Bin Sapari (Singapore) underlines the importance of integration between Asia and Europe. We should look at integration between our two regions. While integration within Asia has grown rapidly, our links with Europe remain important and growing. In this age of globalization, no single region, country or company has (lasting) monopoly on new ideas and work processes. Keeping our markets open and connected will facilitate trade and investment flows. This will

generate business opportunities and create jobs that will lead to healthy and sustainable growth – leading up to prosperity for both regions. At the bilateral level, Singapore is keen to deepen our economic links with Europe. The EU-Singapore FTA (EUSFTA) provides an excellent opportunity to make this connection between Asia and Europe more robust and enduring.

Mr. Javier BARRERO, First deputy Speaker of the Congress of deputies (Spain) states that the crisis has been faced by adopting severe measures of stability and budget consolidation. However, support to economic growth should not be neglected. A balance between these measures should be found being aware of their economic interrelation. He expressed his support to the G20 in the launching of global strategies for a recovery of growth focused on an investments policy that has proved insufficient up to now. A greater participation of women in public life is strongly desirable. Mr Barrero recalls the importance of cooperation between Asia and Europe and underlines the need to strengthen trade relations, also in the private sector and among SMEs. Parliaments have a role of oversight and encouragement to play. They should monitor that economic and financial governance measures do not overlook citizens' needs.

Mr. Haji Zulkipli Haji Abdul Hamid (Brunei Darussalam) affirms that financial systems are interconnected and more effective governance methods are necessary. Dialogue is crucial to meet challenges. Brunei has focused on economic diversification and dynamism. Stability and sustainability are among the objectives, just as enhancing training, introducing investment incentives, promoting productivity and achieving welfare for people. The reduction of taxation is also a priority.

Ms. Jana Laššáková, Deputy Speaker of the National Council (Slovak Republic) states that Parliaments can play a crucial role for the adoption of economic and financial measures. Global economic governance must be transparent and accountable. Institutions should be reformed and regional economic policies should be enhanced. Governance should be seen as a common good. Balance between national and international needs should be achieved. Democratic legitimacy is needed. It should be safeguarded by parliaments.

Mr. Win Myint (Myanmar) underlines the importance of Europe-Asia dialogue, considering that by 2015 ASEAN will be an integrated economic area, with 600 millions consumers and a market of 1000 billion US dollars. We should focus on trade and financial integration, as is the case in Europe that is in its third integration phase. Myanmar intends to have a growth of around 7-8% thanks to the reforms carried out to attract foreign investments.

Mr. Paolo Guerrieri (Italy) underlines that sustained global interdependence has changed the structure of global economy from a bipolar to tripolar one with the emergence of Asia along side with Europe and USA. This requires a reform of global economic governance aimed at strengthening international institutions through the inclusion of new countries and the discussion of adequate trade and financial rules. The weak global demand is due to the strengthening of export strategies that countries are pursuing on an individual basis, while macroeconomic policies should be coordinated by the IMF and the World Bank otherwise slow growth and the increase in local and global tensions will be the consequence.

Mr. Virasakdi Futrakul (Thailand) underlines that Asia is growing at a slower pace and Europe is not growing. The world is awash with liquidity but there is little demand. G-20 have agreed that in order to reach an increase of two per cent of collective GDP of G-20 countries, there is a need to promote infrastructure investment and international trade as well as to facilitate the adjustment of the monetary and fiscal policies of G-20 countries to the changing international economic environment. The ASEP member countries should pursue similar strategies in our inter-regional economic cooperation. Cross-regional infrastructure investment and trade should be promoted, and coordination of monetary and fiscal policies must be pursued. The next step of the inter-regional economic cooperation between Europe and Asia may be the creation of a Euro-Asian Infrastructure Investment Bank to finance cross-regional infrastructure investment.

Mr. Giorgidi Aggabao, Deputy House Speaker (Philippines), declares that the crisis has highlighted the shortcomings of the current economic governance. All ASEM members should carry out structural reforms so as to fix the shortcomings that triggered the economic crisis. Connectivity and cooperation must be enhanced with a view to moving closer to AEC by the end of 2015. A more open and more effective governance is needed. Sustainable development models are needed, which are affordable for less developed countries. He declares that protectionism should be opposed while economic integration should be supported at all levels, in order to promote peace and prosperity.

Mrs Loreta Graužinienė, Speaker of the Seimas (Lithuania) declares that political dialogue and economic cooperation between Asia and Europe should ensure global and regional security. The most important aim for Members of Parliament is to ensure social equality. She points out that Lithuania will join the Euro zone in 2015 and this will be a major incentive for the growth of the country.

Mrs Solvita Āboltiņa, Speaker of Saeima (Latvia), recalls that last month in Milan ASEM Ministers of Finance recognized that increased transparency for all bank transactions and the further strengthening of regulatory financial cooperation are necessary conditions for efficient financial markets and long-term sustainable growth. Further progress is needed to fight tax evasion and tax avoidance, and to improve transparency. Latvia also welcomes the G20 focus on increasing investment through best-practice planning and development, promoting employment, enhancing trade and competition. The social dimension is an essential element of economic governance and coordination. Mrs Āboltiņa finally highlights that during Latvia's Presidency at the EU Council the ASEM Ministers of Education Meeting will take place in Riga on 27-28 April 2015.

Mr. Abdul Rahim B. Abdul Rahman (Malaysia) stresses that a political answer to the crisis should imply connecting measures. European countries have introduced structural reforms to support growth. Measures should be rapid and structured in order to limit the risks implied by crisis. These measures should also be thorough and based on a long term if they have to be effective.

Mr. Asyraf Wajdi Dusuki (Malaysia) underlines that the crisis of 2009 has brought about the adoption of a series of unprecedented measures in advanced economies. In response to the measures adopted in Europe, Asian economies have tried to mitigate the volatility of financial systems with a number of measures including increasing liquidity. Asia today is more resilient as to short-term financing. Markets are deeper and wider. Foreign debt financing has improved. Mr

Dusuki then provides an overview of the measures adopted by his country, which has carried out structural reforms by improving public finance and supporting the budget.

Mrs. Paola Pinna MP, Committee on EU Policies of Italy's Chamber of Deputies (Italy), states that although the economic crisis has had a different impact on the two areas, it is advisable to achieve genuine economic governance at international level so as to reach inclusive, sustainable and long-term development. Technological progress cannot be detrimental to workers. Innovation should be fostered and at the same time benefits should be extended to all workers and all countries through ad-hoc policies. Fiscal free riding as well as tax heaven should be opposed by harmonizing fiscal policies. Financial markets should also be monitored carefully.

Mr Nguyen Van Giau, Chairman of Economic Committee of National Assembly (Vietnam) points out that many countries have undergone economic restructuring actions. The role of Parliaments is therefore fundamental since they have to translate into reality people's expectations and exercise oversight of government policies. Moreover parliaments should promote economic integration. Vietnam urges all ASEP Parliaments to cooperate to enhance the exchange of information and cooperation.

Mrs Ingrid Anticevic Marinovic, Chairperson of Committee on Legislation (Croatia) affirms that without new policies, Europe risks to implode. New political, economic and social policies are needed, capable of improving the economic conditions of citizens. Austerity measures do not promote economic growth. Policies must be changed. Without a solution to these problems the risk is to make social conflicts more acute and to trigger intolerance and violence.

Mr Charles Huber (Germany) points out that economic problems are linked to security, underlining that he is not convinced that ISIS carries out its action only on the basis of religious reasons. ISIS operates also on the basis of economic reasons. These concepts must be included into a common strategy. Support must be given to all the countries that are faced with these challenges. Terrorism is a global phenomenon that must be opposed with all available resources.

Mr Prodromos Prodromou, Deputy Chairman of International Affairs Committee of the House of Representatives (Cyprus), states that an important tool is available: parliamentary diplomacy, which we can also be used to facilitate the enhancement of global economic governance. The European economy must be revived. There is a need for new policies; SMEs should be relaunched, employment promoted and demand fostered. Investments should be encouraged, particularly with a view to achieving post-2015 goals.

Mr Roel Deseyn (Belgium) states that the focus should be on Information technology and its security. This is a crucial sector also for trade. Job security and relevant social aspects are also essential in trade agreements and should be given the highest possible consideration. Today action should be taken so as to promote shared prosperity. Belgium has made seats available in the World Bank to other countries in order to enlarge representation.

Mr Girolamo Pisano (Italy) affirms that the creation of a market is not a safeguard for the economies of individual countries in terms of environment and employment. The European

experience shows that the lack of appropriate fiscal policies brings about the migration of businesses, unemployment and social distress. Capital income and revenues that do not create new jobs should be taxed more. Policies promoting a better redistribution of wealth are the only tool capable of reducing social phenomena connected to radicalism and to some forms of terrorism. Public debt has risen in all European countries, in spite of austerity measures. Their financial sustainability is an important benchmark. A global financial structure is therefore needed.

Mr Christos Dimas (Greece) recalls that Greece is ASIA's gateway to Europe. ASEP cover an enormous geographical extension, from Portugal to Australia, and is therefore a fundamental forum to find consensus through dialogue so as to face growing tensions and find common solutions to the numerous global challenges as for example climate changes and migration.

Mr Christian Tybring-Gjedde (Norway) points out that economic growth has saved many people from poverty. Competition is effective, while protectionism is not effective. The increase in productivity has to create new jobs and not social inequalities. An increase in productivity has to produce investments, public sector must be efficient. The young must be well trained. Education should be labour market-oriented. Economic growth will be impossible if new generations are not ready.

Mr Jefri Kore (Indonesia) emphasizes that the risks of the failure to achieve global economic recovery should be avoided. Within ASEP MPs should do their best to face the crisis by creating a Euro-Asia system capable of facing the crisis. Commitment and fair policies to favour a medium and long term growth. Today rigorous actions are needed.

Mr Koukeo Akhamontri, Chair, Foreign Affairs Committee, National Assembly (Lao PDR) stresses that governance structures are inadequate and they lack transparency and inclusion. Less developed countries that have no sea outlet are strongly disadvantaged in achieving the Millennium Development Objectives. That is why they urge strong cooperation with Europe.