



# Conference Report



REGIONAL PROGRAMME  
POLITICAL DIALOGUE  
WITH ASIA, SINGAPORE

INTERNATIONALE ZUSAMMENARBEIT

## The 14<sup>th</sup> East Asia Think-Tank Dialogue

### Engendering Inclusive Growth: A common challenge for strong bilateral relations between Asia and the European Union

#### – Social Cohesion debates and policies in Asia and Europe –

Vientiane, Lao PDR, 12-13 September 2012

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#### I – Introduction

In November 2012 the 9<sup>th</sup> ASEM Summit will be held in Vientiane, Lao PDR. A Senior Official's meeting took place in the city on 11-14 September to set the agenda of the summit and the Konrad Adenauer Foundation organized a new edition of the East Asia Think-Tank Dialogue at the same venue and in parallel to this preparatory meeting to promote a discussion among Asian and European experts on the expectations about the summit and on other topics of cooperation between Europe and Asia. Special attention was given to debates on the promotion of social cohesion in both continents and on how bilateral cooperation may contribute to the development of inclusive growth in Asia. Other topics discussed by the participants were the sustainability of the European social model in the context of the current European crisis and the effects of the crisis on EU-Asia relations.

#### II – 9<sup>th</sup> ASEM Summit: preparation and outlook

The 9<sup>th</sup> ASEM Summit is approaching and the government of the Lao PDR seems to be in control of the infrastructure projects and organizational issues involved in the preparation of the event. Thus, this edition of the Asia-Europe Meeting will take place as scheduled, but questions remain concerning the agenda and results of the summit.

There is a consensus in Europe and in Asia that the interests of both continents are complementary and that some sort of forum of discussion for the deepening of relations is necessary. However, there is still a lack of knowledge about the Asia-Europe Meeting (ASEM), its mandate and its goals. Asia has been changing in the last decades, its economic relevance is undeniable, but Europe and Asia fail to establish a common agenda for cooperation.

In Asia and around the world a growing number of fora of cooperation have been established. Global governance is being conducted in these multiple spaces of dialogue and that generates a concrete problem of agenda setting. It is difficult for countries to send prepared leaders to participate in so many meetings and summits and there is a problem of

*\*The 14<sup>th</sup> EU-East Asia Think Tank Dialogue had been organised by the Konrad-Adenauer-Stiftung, Singapore, the Institute for Strategic and Development Studies (ISDS), Manila, The Asia Europe Foundation (ASEF), Singapore and the Institute of Foreign Affairs of Laos (IFA) Lao PDR.*

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coordination of agendas. There is a need for the establishment of priorities and for the choice of the right fora to discuss particular issues. In the meanwhile, ASEM achievements have been limited to the micro level. It is still underdeveloped in comparison to the trans-pacific and trans-atlantic partnerships.

In this context, the preparatory work conducted before the 9<sup>th</sup> ASEM meeting is of great relevance. The Senior Official's Meeting that took place in parallel to the Think-Tank Dialogue established a preliminary agenda for the summit. It will focus on global economic challenges, socio-cultural cooperation and global security issues like disarmament and nuclear non-proliferation. The summit will also be an opportunity to discuss how to further develop cooperation between Europe and Asia and the role of the Asia-Europe Meeting in this process.

### **III – The EU Crisis and its consequences for the European Social Model**

There is no consensus if the current European economic crisis is a crisis of the European Union as an institution or of some EU member states. For some experts, the ongoing crisis highlights a problem of governance of the EU to make member states follow rules that may sustain economic stability in the Euro zone. On the other hand, one has to bear in mind that the European Union is not only an economic project, but a political one. The EU is a political union established to guarantee stability in the continent. The EU is not following the path of construction of a European federal state, but there is certainly room for fiscal union, banking union and political union. The crisis that affects some member states and generates the discussion of new fiscal instruments on the regional level can be perceived as a moment of reflection and a point of inflection in EU's history but it will not lead to a halt in the integration process and does not represent a complete failure of the European social model. At a time when demand for the development of a welfare state and a social compact between stronger and weaker countries is growing in Asia, the EU with its experience can be a fundamental partner for the Asian countries in the construction of their social protection systems and in the further development of regional integration initiatives.

The ongoing financial crisis created a serious problem of confidence in the global markets, but the international community has to be also aware of other risks that may aggravate the current crisis or create different ones. For instance, in the global economic area there is the threat of an asset prices collapse and commodity and energy prices volatility. In the environmental area, risks associated with climate change and loss of biodiversity can be observed. In the societal sector concerns arise from problems such as economic disparity, demographic challenges or food security. In addition, the capacity of our systems of governance to deal with such threats – i.e. the Doha Round, climate change conferences – has proven itself limited. Improved mechanisms of coordination and problem solving are necessary within and outside the EU.

The current crisis affects many EU member states and makes some adjustments necessary. In the context of an exacerbated politico-economic debate in Europe between advocates of austerity measures and others pledging for better efforts of state governments to protect citizens and generate growth, the analysis of different European examples shows that a balanced solution must be found in each case. The European welfare state model cannot be abandoned in the name of pure austerity. In this context, countries with high spending in social protection may have to make adjustments and limit the breadth of its national social safe net. Nevertheless, countries indebted and in need of austerity measures must control

the extent of cuts so that they may be able to overcome the crisis and be able to generate economic growth, while avoiding the degradation of living conditions of their citizens.

#### **IV – The EU Debt Crisis and its Effects on EU-Asia relations**

EU-Asia relations are going through a paradoxical situation. On the one hand, both sides develop strong economic relations. Both regions are trading with great intensity and that is one positive aspect of the bilateral relationship. On the other hand, the two regions sustain a weak relationship from the political point of view. Unfortunately, the potential of Asia is not fully acknowledged in Europe and both sides are in need of a more efficient dialogue towards the establishment of clear strategic priorities for political cooperation.

In this context, one could imagine that the EU debt crisis could represent an obstacle for EU-Asia relations. In a moment of internal crisis, it would be more difficult for the EU to develop a more refined strategy for the strengthening of political ties with Asia. That does not need to be the case though. Instead of an obstacle, the crisis of the Euro zone can be perceived as an opportunity for closer cooperation with Asia. The crisis can actually prove to generate momentum for the optimization of bi-regional cooperation.

Until the crisis, EU-Asia relations were not characterized as a completely symmetrical relationship. The European side was not in total control of the agenda setting but had more leverage than the Asian side in establishing the terms of cooperation. The debt crisis of European countries changed the bilateral relationship by giving more leverage to Asian countries and creating a more balanced bi-regional relationship. Despite the contagion effect of the crisis, many Asian countries are managing to sustain economic growth. This generates growing confidence in these countries and also a stronger perception in Europe that Asia can be a fundamental partner to help the continent overcome the current critical moment. Being in a position of relative weakness, the EU may become more open to the potential benefits of deeper interconnectedness with Asia.

The crisis has raised expectations about the Europe-Asia partnership but some changes are necessary to transform the crisis into a good opportunity of intensification of bi-regional ties between the parties: more concrete and focused efforts are needed; a multilayered dialogue should be implemented; ASEM's role as a dialogue institutions should be reinforced, but it would be also positive if the meeting could be involved in deeper coordination of positions in other governance fora. The crisis is a real challenge for the EU, but it should be perceived as an opportunity of reevaluating the approach towards Asia and the construction of a more balanced and effective relationship.

#### **V – Inclusive growth and social cohesion in Europe and Asia**

Inclusive growth is perceived by European and Asian experts in a similar way. It is sustained by three pillars: economic growth, good governance and social protection. In turn, there seems to be some confusion and a lack of consensus regarding the idea of social cohesion. There is a visible difference between how Europeans and Asians determine the object of social cohesion and the methods to achieve it. However, even inside each continent – i.e. Northern and Mediterranean Europe and Southeast and East Asia - there are different perspectives on how to approach the topic of social cohesion.

Notwithstanding this conceptual blurriness, European and Asian experts seem to agree that the concept cannot be reduced to income growth and equality. It involves notions of social

justice, social access, social balance, good governance, social capital, participation and the prevention of segregation. It is also clear that the notion of social cohesion derives from a social demand to correct economic and social inequalities. Thus, what varies among countries is what kind of inequalities they identify and how they plan to address them.

Integration in Europe was first built as a political project, to which a strong demand for trade liberalization was added. Social policy was not initially at the core of the project of European integration. Nevertheless, today approximately one third of the EU budget is spent in cohesion policies. The European Commission considers inclusiveness as a generator of economic growth. One of the three main priorities of the Europe 2020 strategy is to create inclusive growth and three of the five main targets have a social dimension: to have 75% of the economic active population employed; to reduce the rate of school drop outs to 10% and to increase the ratio of the population with a tertiary education to 40%; and to take twenty million citizens out of poverty and improve social cohesion.

These goals constitute a paradox though. On the one side, at the member states and EU level, the protection of the European social model is an essential part of the political discourse. On the other side, beyond this discourse, concrete policies are missing. The EU does not have the instruments to promote these established targets. Social policies are still to a greater extent a competence of the member states. The EU does not have the competence to harmonize social policies in the member states, which makes its work more difficult. In the context of a debt crisis and the necessity of austerity measures, this also results in the perception of the EU as a punitive entity instead of an institution with capability to promote social policies. Hence, one of the necessary steps to be taken at the European level is to develop with member states a broad view of what kind of social policy should be established in the EU and how to achieve these goals.

In the Asian context, there is also a growing demand for social cohesion policies. Taking China as an example, it can be observed that the country has to deal with many challenges if it wants to promote social cohesion: the urban/rural dual structure of economy and society; the high level of diversity among regions; the increasing income inequalities; the rapid social transition during urbanization and industrialization; the current political transition; and the increasing signs of social unrest. In this context, the concept of social cohesion is not only associated with income inequalities and poverty reduction but also seen as a public good related to the reduction of identity discriminations and social exclusions and the recognition of the equality among citizens. Some initiatives have been implemented in this sense, e.g. the establishment of a Poverty Reduction and Development Strategy, the relaxation of the Hukou System, the adoption of proactive labor market policies, the deregulation of the control of prices of agricultural products, and the increase of the minimum wage for rural migrants. The Chinese government also re-established a welfare system and established cash-transfer reduction programs, which have been contributing to the reduction of poverty in the country. Nevertheless, there is still a lot of room for improvement, e.g. the Hukou System must be reformed, the labor market must be integrated, and corruption must be reduced.

This is just one example in Asia though. The current scenarios observed in different countries in the continent, especially in South East Asia, demonstrate that these countries need to establish policies and invest in the promotion of economic growth also via social policies. Without the required attention to its social dimension, the generation of inclusive growth becomes an even more challenging task. In this context, cooperation between Europe and Asia may prove very effective. Asia can benefit from the European experience in

the implementation of welfare systems and, in a scenario of development of regional policies towards social cohesion at the EU level, Europe may learn from new ideas and solutions developed in the Asian continent. Hence, ASEM could be one of the channels of dialogue and cooperation, through which Europe and Asia can discuss and improve its capabilities to promote inclusive growth and social cohesion.

**VI – Conclusion**

There is a consensus that social cohesion is an investment. There can be no sustainable economic growth without the development policies that reduce inequalities and promote social cohesion. The European experience shows that the welfare state is normally pushed by social pressure groups. In Asia, political parties and civil society groups are general weak and still trying to initiate this process, but there also visible signs of a growing public demand for the creation of systems of social protection. There is certainly no single model that can fit the reality of all the countries of Europe and Asia, but there is a consensus that economic growth cannot be dissociated from social protection.

During the 14<sup>th</sup> Think-Tank dialogue it could be observed that Asian participants are interested in knowing more about the notion of social cohesion and what it entails. They also have interest in learning from the European experience in dealing with immigration issues and interethnic and interfaith conflicts. In addition, it seems that an important topic of discussion in the Asian context would be the effectiveness of cash-transfer systems for the reduction of extreme poverty and the promotion of social cohesion. Finally, the general message that can be taken from the event is that Europe and Asia have to learn how to learn from each other and that fora of dialogue like the Think-Tank dialogue or the ASEM are important instruments towards deepening bilateral cooperation between both continents.

