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Introductory Statement by Ms Paula Lehtomäki, Minister for Foreign Trade and Development of Finland, at the AEBF10 Plenary Session 3 (Panel Discussion) on September 11 at 9-10/10.30 am.

CHECK AGAINST DELIVERY

Mr Chairman, Dear Fellow Members of the Panel, Ladies and Gentlemen,

I would like to start by thanking the Asia-Europe Business Forum for inviting me to participate in this panel discussion. By the same token, I would congratulate the host of this Forum, the Confederation of Finnish Industries, for the impressive work put into the organisation of this whole event.

Ladies and Gentlemen,

The theme of our panel discussion this morning - What can we learn from each other - could probably not be more topical. Why?

Both regions - the EU as well as Asia at large - are important economic actors on a global scale. The ASEM member economies currently account for some 50 percent of the global GDP and some 60 per cent of world trade. Our economies are inextricably linked. This interdependence -and even strategic partnership - entails that trying to learn from each others' experiences is therefore an important, even crucial task. We have a common challenge and opportunity: Economies across both Europe and Asia need to adjust themselves to and make use of globalisation.

However, one size does not fit all, and successful experiences are not directly transferable across regions. Some issues are nevertheless worth highlighting.

Ladies and Gentlemen,

From a European perspective, I believe that our long and successful record of economic integration is one of our most significant "exportable". It has been an experience upon which several other countries could draw more than what is currently the case.

First of all, the realization of the European single market was a groundbreaking milestone in the European economic history. The reshaping of the European economy from a group of small segmented national markets into a Europe-wide market has led to greater efficiency. Furthermore, it has brought important welfare gains for the European public at large.

Unlike just a few decades ago, the selling of goods is no longer inhibited by administrative barriers or widely diverging regulations. Consumer choice is vast, and capital flows freely. In the course of this process, the EU has acquired an extensive experience in policies that deal with and aim at the abolition of inter-state barriers and the harmonisation of national laws and standards.

Secondly, the introduction of the European single currency, Euro, was a significant psychological leap in addition to its economic rationale. For many Europeans, including my fellow countrymen and women, giving up one's own national currency was some kind of a litmus test of the spirit of integration.

Our experience of the Euro has so far been clearly positive. It has eliminated exchange rate fluctuations and various transaction costs, and improved the general macroeconomic stability in the Euro area. Because of the important size of the Euro area, it is also better equipped than the previous national currencies to withstand any external economic shocks or fluctuations.

But the accomplishment of the last decade or so is not just an economic one. Without losing their national characteristics and cultural traditions, citizens of the EU Member States have also become citizens of Europe. Although this development has not been very rapid, we are seeing a sense of commonality that upholds the whole process of integration. All in all, the EU has been capable of accommodating advanced economic integration with broad cultural diversity.

But great challenges remain. Our common market is not complete or perfect yet.

Viewed from the perspective of the four freedoms, that is, freedom of movement of goods, persons, services and capital, it is easy to see that work on the free movement of goods and capital is fairly advanced. Instead, cross-border movement of persons and services is still more limited. Some of these problems can be remedied by improving the regulatory environment. Entrepreneurial spirit might need some encouragement in many of our European societies. We should learn something of the Asian dynamism! But some aspects cannot be treated as regulatory issues alone. For example, language is one of the obvious factors inhibiting labour mobility.

One critical issue within the EU will be how the pressure stemming from the ageing populations will affect the European economies in the coming years. The challenges are greatest in the countries that have generous pension schemes, and where ageing will be rapid. My own country is a case in point. Finally, however, ageing population is not a question of public finances alone. It should be seen more broadly as a challenge of keeping the society on a dynamic development path in times of demographic restructuring.

Ladies and Gentlemen,

The profound structural changes that we are currently witnessing in the global economic order are as significant for the world economy and international relations as the end of the Cold War: An ever larger number of countries - many of the strongest ones located in Asia - are taking advantage of globalisation. Competition is getting fiercer.

Such rapid changes imply significant adjustments in Europe and Asia alike. In Europe, we have grown to realize that in this context, constant investment in improving competitiveness is not only relevant but necessary. My own country has been applauded internationally as an advanced innovation and knowledge economy measured by, for example, the 3,5 percent of GDP investment in R&D.

But there is no room for complacency. We have heeded this within the EU and aim at laying the groundwork for a new demand-led approach to European innovation policy during the Finnish EU Presidency. Staying alive and prospering in the global markets means that we need to be on the move and alert all the time. And not only talk but act.

Ladies and Gentlemen,

We must try to see the challenges that I just described as opportunities - that is what they are! Active international and cross-regional cooperation, both at the intergovernmental level and in other settings - such as this forum - will help us counter any tendencies of protectionism and shape the development of the global economy in a positive way.

Thank you, Mr Chairman.