

Chapter 14

Moving Forward: Multilateral Cooperation for a Resilient, Sustainable, and Rules-Based Future for Asia and Europe

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Moving Forward

MULTILATERAL COOPERATION FOR A RESILIENT, SUSTAINABLE, AND RULES-BASED FUTURE FOR ASIA AND EUROPE

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The Asia–Europe Meeting (ASEM) is designed to strengthen the links between Asia and Europe, which would ensure the collective prosperity and inclusive growth of the two regions. Since its inception in 1996, ASEM has played a key role as a forum for dialogue and cooperation in connecting Asia and Europe. ASEM is a collective effort towards addressing the demands of greater connectivity amongst the geographies, economies, and peoples of Asia and Europe. At the 10th ASEM Summit in 2014 in Italy, ‘Leaders underscored the significance of connectivity between the two regions to economic prosperity and sustainable development’ (ASEM 2014: para. 7). The 11th ASEM Summit in 2016 in Ulaanbaatar agreed to make ASEM responsive to emerging demands and the need for connectivity. Based on the recommendations of the ASEM Pathfinders Group on Connectivity (APGC) – co-chaired by the European External Action Service and the European Union (EU) presidency for the European group, and China and Japan for the Asian group – the 12th ASEM Summit in Brussels adopted possible ‘Tangible Areas of Cooperation in the Field of Connectivity’ that would serve as a guiding tool for the competent ASEM bodies to take the ASEM process forward and conduct activities aimed at pragmatic results within their areas of expertise.

In the span of a few months in 2021, the collective and coordinated features of ASEM have been impacted as the 13th ASEM Summit (ASEM13) is held amidst a global health emergency – the coronavirus disease (COVID-19) pandemic – that has led to unprecedented impacts on the lives of people and the economies of ASEM partners. The strength of ASEM, however, lies in its potential to bring Partner countries together and agree to a common pathway for recovery, and rebuild societies in the years ahead. The ASEM13 has a mission to set out the future pathway for ASEM – built on the principles of mutual growth, sustainable development, and rules-based multilateralism.

ASEM in Transition – Significance of 2021

The COVID-19 pandemic is an unprecedented challenge that has left no country untouched. Besides the devastating impacts on life and health, the world will face one of the most severe economic recessions in modern history.

The COVID-19 pandemic is threatening lives, livelihoods, and entire economies – erasing decades of economic progress, poverty reduction, and gains in human development. The world has made great strides in reducing extreme poverty in recent decades, but was not on track to reach the goal of ending it by 2030 even before the coronavirus hit – the pandemic could push about 100 million more people into extreme poverty in 2020 (World Bank, 2020).

All countries have been hit by various economic shocks – on demand, supply, and financing. The core value of ASEM – Asia–Europe Connectivity – is under stress, and has even been disrupted, amongst several Partner countries. The ASEM region is also facing severe challenges in meeting the goals of the 2030 Agenda for Sustainable Development.

The rapid spread of COVID-19 since the end of 2019 has put immense pressure on the economic and social conditions of emerging Asia. A sharp decline in the region's economic activity is anticipated in 2020. Gross domestic product (GDP) in 2020 is expected to decline by 2.9% on average in emerging Asia and by 2.8% in the Association of Southeast Asian Nations (ASEAN).¹ Growth rates are projected to return to levels similar to those before COVID-19 in 2021 – 6.8% in Emerging Asia and 5.6% in ASEAN (OECD, 2020a). It is estimated that growth will climb to 6.8% in 2021 as ground conditions gradually return to normalcy. Southeast Asia's economy as a whole is expected to contract in 2020 by 2.8% before growth resumes in 2021. Economic growth patterns in China and India are anticipated to follow the same trajectory. China's economy is expected to contract this year for the first time since the 1970s before GDP growth improves the following year. India's economy will also decline for the first time in more than 40 years and recover in 2021.

Indications of a healthy trade rebound are also limited, as the retention of border restrictions and deflated demand from advanced economies will likely impact Asia. Emerging Asian economies have limited fiscal space, especially as revenues decline. Work on large projects has weakened. Inflow of foreign direct investment is uncertain as advanced economies struggle with their own liquidity.

¹ ASEAN consists of 10 countries: Brunei, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.

Southeast Asia is particularly impacted by losses in travel and tourism, which constituted 12% of the economy. Small and medium-sized enterprises, which comprise more than 90% of the firms in the region, are particularly vulnerable to the downturn.

Europe is facing a similar downturn. Challenges to its economic recovery are severe, and require innovative policies and global cooperation. According to the EU summer forecast, the EU's economy is set to contract by 8.3% in 2020 and grow by 5.8% in 2021 (European Commission, 2020: 1).

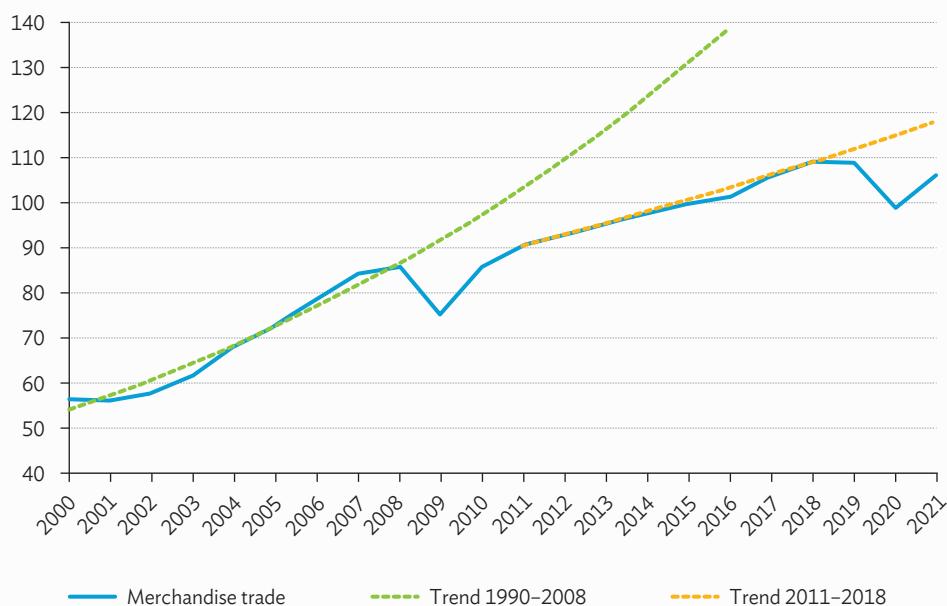
The EU is working towards a resilient and sustainable recovery plan. It has agreed to mobilise €1.8 trillion for the coming years to fundamentally change its economic and social model with the climate and digital agenda. The EU is working to become carbon-neutral by 2050, and is coordinating all national recovery and resilience plans for the European Green Deal target. Europe worries of a K-shaped recovery in which the wealthier emerge better off. The recovery plans, therefore, are concentrated in the most affected regions and the most affected sectors.

Mutual Growth for Asia and Europe: Resilient Trade and Global Value Chains

The ASEM region's prosperity is underwritten by trade and investments. Asia and Europe have a market of nearly 5 billion people, and inter-regional trade was \$32 trillion in 2018. Manufactured goods represent the largest share of trade between Asia and Europe. At present, China is the EU's biggest source of imports and its second-biggest export market. The EU and ASEAN countries have significantly consolidated their bilateral trading activity over the last decade, with the EU accounting for around 13% of ASEAN trade. Trade in services is also crucial for the smooth functioning of global value chains and has played a key role in the expansion of trade in Asia and Europe during the past decade.

The World Trade Organization (WTO) now forecasts a 9.2% decline in the volume of world merchandise trade for 2020, followed by a 7.2% rise in 2021 (Figure 1). These estimates are subject to an unusually high degree of uncertainty since they depend on the evolution of the pandemic and government responses to it (WTO, 2020).

Although the decline in trade during the COVID-19 pandemic is similar in magnitude to the global financial crisis of 2008–2009, the economic context is very different. The contraction in GDP has been much stronger in the current recession, while the fall in trade has been more moderate. As a result, the volume of world merchandise trade is only expected to decline by around twice as much as world GDP at market exchange rates, rather than six times as much during the 2009 collapse (WTO, 2020).

Figure 1: World Merchandise Trade Volume

Note: Figures for 2020 and 2021 are projections.

Source: WTO (2020).

The pandemic has induced shocks to supply chains, disruptions in production, and the prospect of a global recession. The rapid spread of COVID-19 since the end of 2019 has resulted in tightened border controls and disruptions in production. At the same time, robust monetary and fiscal policies have propped up incomes, allowing consumption and imports to rebound once lockdowns are eased. There are several risks to a sustained recovery in the medium term. Investment and employment are key to recovery, but a sustained or recurrent run of COVID-19 may cause continued loss of trade between Asia and Europe. Close cooperation on trade and investment facilitation between Asian and European countries, with concurrent cooperation in the production and supply of vaccines and other public health measures, will ensure that ASEM resumes and grows its trading links collectively, for the mutual benefit of both Asia and Europe.

Trade between Asia and Europe will diminish in the short term; and the micro, small, and medium-sized enterprises; services trade; and tourism will be the most affected. A prolonged demand shock may weaken, or even decay, the supply chains between Asia and Europe. Moreover, the infusion of liquidity in the advanced economies of Asia and Europe will slow down or reverse the financial capital flows to the developing countries.

Trade and investment facilitation, therefore, become a primary line of cooperation in ASEM. Parts of Asia and Europe have started to diversify their production value chains. This could grow with more urgency when demand returns in the economy. Asia and Europe must therefore work jointly on future-ready measures for trade and investment facilitation, and ensure the sourcing of intermediate and final goods through resilient and shortened supply links.

Short-term difficulties will present themselves, as the pandemic may continue to disturb established supply chains. These difficulties should not prevent ASEM from cooperating in a long-term trade and investment platform that is robust and beneficial to all partner countries – big or small.

Sustainable Development: Achieving the SDG Targets in the Post-COVID-19 Phase

The year 2020 kickstarts the Decade of Action – a reaffirmation of the global commitment through accelerated efforts and sustainable solutions to the world’s biggest challenges, ranging from eradicating poverty and reducing gender inequality to addressing climate change.

Yet, in only a brief period, the COVID-19 pandemic has disrupted efforts to achieve the 2030 Agenda for Sustainable Development. The global community finds itself in an unprecedented situation in which parallel health, economic, and social crises have left countries struggling to contain the epidemic and provide immediate financial relief for the many people affected by the associated macroeconomic downturns. The pandemic threatens to reverse years of progress on poverty, hunger, healthcare, and education. While the virus has impacted everyone, it is affecting the world’s poorest and most vulnerable people the most.

UNESCAP (2019) reported that Asia and the Pacific needs to accelerate progress towards all the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda for Sustainable Development. On its current trajectory, the region will not achieve any of the 17 SDGs by 2030. To live up to the ambition of the 2030 Agenda, accelerated progress is required on all fronts. For three SDGs, the situation is deteriorating and urgent action is needed to reverse course.

Progress has been made towards some SDGs (1, 4, and 7) in Asia and the Pacific, but the rate of progress is insufficient. Even where good progress has been made, it is too slow for these goals to be met by 2030. For instance, while the most progress has been registered for delivering quality education (SDG 4), quicker progress is needed towards the goal’s underlying targets. For more than half the SDGs, progress is stagnant or heading in the wrong direction in Asia. Little progress has been achieved towards ending hunger (SDG 2);

supporting industry, innovation, and infrastructure (SDG 9); reducing inequalities (SDG 10); building sustainable cities and communities (SDG 11); combating climate change (SDG 13); protecting life below water (SDG 14) and life on land (SDG 15); or towards supporting peace, justice, and strong institutions (SDG 16). Negative trends have been registered in clean water and sanitation (SDG 6), ensuring decent work and economic growth (SDG 8), and supporting responsible consumption and production (SDG 12) (UNESCAP, 2019).

The COVID-19 pandemic has impacted the trend towards progress, and it is projected that Asia's progress will be slow or driven backwards. The loss in economic output of the region will be marred by the lack of progress towards the SDGs. Lack of progress towards SDG 17 could undermine the progress towards all the other SDGs, as it seeks to strengthen global partnerships and means of implementation to achieve the ambitious targets of the 2030 Agenda. Its underlying targets focus on measuring tax revenues, debt sustainability, statistical capacity, technology transfer, international cooperation, trade conditions, and policy coherence on sustainable development. Progress in all these areas is necessary to ensure that we have the means to finance, target, and implement policy solutions to achieve sustainable development (UNESCAP, 2019).

Across the world, European countries come closest to achieving the SDGs, but none are on track to achieve the goals by 2030. The 10 countries closest to achieving the SDGs are in Europe (SDSN and IEEP, 2019). Yet, Europe faces the greatest challenges on goals related to climate, biodiversity, and the circular economy, as well as in strengthening the convergence in living standards across countries and regions. In particular, countries need to accelerate progress towards climate change (SDG 13), sustainable consumption and production (SDG 12), the protection and conservation of biodiversity (SDGs 14 and 15), and sustainable agriculture and food systems (SDG 2).

Leadership from the EU is critical, not only because Europe needs to achieve the goals for its own benefit, but also because the 2030 Agenda is a global affirmation of the core values of the EU. The SDGs represent Europe's values, so the EU should use them as part of its external action (SDSN and IEEP, 2019). The European Green Deal is a decisive framework for Europe's sustainable development during the coming decade, and it should be leveraged as an instrument of cooperation with Asia for achieving the SDGs. The EU has tremendous global influence through its intellectual and policy leadership, its lead in SDG implementation, and the fact that the EU is the world's strongest champion of the rules-based multilateral order – with the United Nations Charter, institutions, and treaties at the core. ASEM must therefore be an important multilateral platform to pursue an ambitious and strategic SDG cooperation programme between Europe and Asia.

ASEM chair statements of 2016 and 2018 recognise the global mandate for sustainable development. The ASEM dialogue mechanism, including its connectivity agenda, is best suited to support the pursuit of sustainable development and climate action in Asia and Europe. Finding resilient infrastructure and innovative solutions for food, health, and cybersecurity is closely related to sustainable development in Asia and Europe. ASEM working groups on sustainable development should use this as a framework for monitoring progress in the coming years.

Infrastructure and Institutional Connectivity for the Digital World

The digital economy is here to stay. As industries, employment, trade, and economic growth continue to change under the influence of digitalisation, the ASEM region must reap the benefits of this progress. ASEM must also take leadership in ensuring that digitalisation promotes inclusiveness, especially for youth and women. Asia and Europe have different levels of digital infrastructure. However, mutual cooperation for the development of services, human capital, regulations for data protection, e-commerce, and taxation require greater institutional linkages between Asia and Europe. ASEM has not been able to create a platform which addresses the important pillar of the digital economy in Asia and Europe. When the world recovers from COVID-19, it will have the opportunity to build back better. The 13th ASEM Summit will be an opportune time to fill this gap in ASEM cooperation.

Structural transformation and employment generation in Asia and Europe will address the demands of the digital economy through greater integration and institutional cooperation. Backward and forward integration of the global value chains of the digital economy are important for and between Asia and Europe. ASEM's role in trade facilitation and the movement of skilled people suited for the digital economy will be both timely and valuable for institutional connectivity in ASEM region. Policies for consumer protection and privacy, competition policy, the taxation system, and cybersecurity also require greater attention and global calibration.

Key documents such as the ASEAN ICT Masterplan, 2020 have stressed the inclusive and affordable aspects of the digital economy. Europe's Digital Single Market strategy outlines digital opportunities for people and business through policies that embody societal values and promote inclusiveness. The APGC adopted a connectivity plan in 2018 which lists cross-border e-commerce, including the involvement of micro, small, and medium-sized enterprises, as a focus area for the ASEM partners. This confluence of Asia, Europe, and ASEM in an inclusive and value-based digital economy could well become the face of Asia–Europe connectivity in this decade.

Multilateralism, Global Actions, and a Rules-Based World: ASEM's Role

International cooperation will be the key to reviving growth, restoring incomes, and normalising movement across borders. Rebuilding and recovery from the pandemic should entail equal opportunity for all countries.

The future of ASEM is linked to restoring multilateralism and rules-based global governance which recognises diversity, yet leaves no one behind. It is worth noting that multilateralism has provided stability and prosperity to a great number of countries for nearly a century. The most recent global financial crisis could be addressed through multilateral action and cooperation. However, the rules-based multilateral order is under severe stress, and ASEM has a profound responsibility to reaffirm and contribute to restoring multilateralism. The pandemic has magnified the gaps in multilateral actions towards sustainable development, climate action, financial stability, and international trade. As ASEM reaffirms its commitment to multilateralism in all its statements, the time is ripe to actively support groups and international organisations that are working towards this goal. ASEM is an informal organisation of countries in Asia and Europe which share common interests. It would be an appropriate next step for ASEM to reach out to multilateral bodies which need strengthening and support. In turn, ASEM would help the multilateral processes to address the post-pandemic recovery, and solidify the global governance and rules-based order that seeks to support the well-being of all peoples.

Global governance of connectivity is also a new challenge, as countries contest and compete for technology which provides interconnections. Managing the internet is most apparent, but the technology underlying electronic commerce and the financial system is much more significant. The traditional chapters of trade agreements – on goods, services, and investment – while still contentious, are now subordinate to the field of technology. In 2021, ASEM must contribute to global actions which aim to resolve this challenge.

ASEM must be seen to contribute to the global governance architecture if its , irrespective of size and income, are to emerge stronger from the pandemic-induced economic downturn and build back a better and more inclusive future for themselves. Neither multilateralism nor global governance exist for their own sake. The ultimate test for both is for them to create prosperity that is inclusive and sustainable. ASEM must spell out, and provide action on, its preferred aspects of multilateralism. Multilateral bodies, such as the WTO, and intergovernmental and less formal platforms, such as the Group of Twenty (G20), are leading their and regions to participate in trade, investment, financial stability, sustainable development, and economic integration. ASEM has to represent itself in these organisations, as the influencer and shaper of rules-based multilateralism which is capable of recognising diversity and leaving no one behind.

Towards the 14th ASEM Summit: Cambodia's Vision, Global Realities, and Key Priorities Ahead

Cambodia's vision for ASEM – and the priority actions within the focus areas of ASEM connectivity – was notable for its grasp of regional needs and global realities. The Economic Research Institute for ASEAN and East Asia (ERIA) has served the successive chairs of ASEM in writing the connectivity agenda, and supporting the APGC's tasks through research and policy recommendations. Cambodia's request for a plenary study on an inclusive, sustainable, and future-ready ASEM was made to ERIA, and the resultant study conjoins Cambodia's vision with actionable policies for ASEM's future. Predating the COVID-19 crisis, the Cambodian chair of the ASEM13 recognised early that ASEM is entering a phase which is characterised by rapid changes and disruptions across all three pillars of ASEM connectivity and cooperation. Asia and Europe face an urgency amongst their peoples and stakeholders because of advances in technology, innovation, automation, robotics, digital platforms, and greater connectivity. These issues are prompting innovative economic and financial cooperation, sustainable growth, and movement of people and investment to new locations. New areas of cooperation in finance, innovation, infrastructure, global health, and multilateral governance are no longer a choice. This ought to be in the blueprint of ASEM connectivity in the future – to make ASEM future-proof and to help Asia and Europe to address the global and regional challenges together.

The 13th ASEM Summit will take place in 2021 – a year after its scheduled date in 2020 – as the COVID-19 pandemic disrupted the fabric of connectivity amongst people within and between countries. Even as countries recover from the health crisis and rebuild economies, ASEM has the opportunity to assess and give direction to the future of Asia–Europe relations. The previous chapters in this book have covered a wide range of sectoral assessment and priority actions for ASEM.

In moving towards the 14th ASEM Summit, many of the global and regional issues will likely remain, and demand ASEM's response. Trade tensions amongst larger economies will continue to persist, even if parts thereof are resolved. Political and social tensions related to communities and gender in many parts of the world will weigh upon development strategies, especially those related to employment, SDGs, climate action, and the digital economy. The monitoring (and implementation) of public health plans, SDG performance, youth employment, and gender equality will be important areas for national strategies for growth.

As connectivity plans in Asia and Europe compete with each other for resources and geographical influence, countries in Asia and Europe must align these plans with debt sustainability, resilient growth, and the trust quotient. Security challenges that simmer below the surface of important supply chain routes in the Indo-Pacific, with direct implications for trade connectivity between Asia and Europe, must be addressed and resolved.

The pandemic provides a time to build back better. For ASEM, this is an opportunity to train its focus on women and youth. In doing so, the twin challenge of human capital and productivity can be addressed in Asia and Europe, and the social and economic worth of two influential sections of people can be prioritised in all policies.

All the events around ASEM imply that ASEM must take a lead – in reconnecting countries and societies in the post-pandemic world, and in mobilising Asia and Europe towards a connected, sustainable, and inclusive future. The global pandemic provides the sober reflection to see that attempts to retreat into self-sufficiency will not significantly diminish risk and will only lead to diminished well-being. Even in areas such as medical equipment and supplies, interdependence is inescapable. In addition, the lessons of the pandemic reveal that international cooperation is much more part of the solution than of the problem.

The benefits of reconnecting economies, reversing the disruption to trade and transport links, and addressing transboundary challenges, offer immediate and deserved benefits to all people (UNECE, 2020). Concerted action will yield better results in the context of the regional frameworks of collaboration, which provide critical building blocks for multilateralism.

From Cambodia, ASEM will travel to Europe for its 14th summit. The European chair must take these priority areas forward to ensure that ASEM's work reduces barriers to connectivity, acts to create prosperity, and strengthens trust in collective action at all levels.

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