

General info

What is the exact title of the session?

Driving global Recovery: what can Europe learn from Asia?

What is the timing?

Wednesday 30 June from 9:30 – 10:45

What is the framework of the session?

Before the rise of Asia, many Europeans believed the 'European Social Model', which combines sustainable economic growth with ever-improving living and working conditions and human rights, would also prove to be the 'visionary roadmap to the promised land' (Jeremy Rifkin) to the rest of the world. But now the EU is left off the center stage. European growth rates are behind and Europe might not be able to afford the 'luxury' of strong welfare measures. Also, China and the US (the 'G2') don't seem to fully share Europe's sustainability efforts and climate talks are stalling due to their resistance. Will Europe have to copy the Asian success or will Asia converge to the European standards?

Introduction: the topic

An important development during the last two years has been the speed at which Asia has recovered from the economic crisis. The IMF in its Regional Economic Outlook for Asia and Pacific (April 2010) notes that Asia is leading the global recovery, "activity in many emerging and developing markets has continued to rebound swiftly over the course of 2009 and in the first quarter of 2010, particularly in Asia. The pattern of economic recovery has varied within Asia, with the more domestically oriented economies (China, India, and Indonesia) and Australia escaping a recession, and the more export oriented economies experiencing a sharply V-shaped business cycle. By the end of 2009, output in most of Asia had returned to pre-crisis levels, even in those economies hit hardest by the crisis."

In contrast, the recovery in Europe has held back by a number of factors. The European Commission in its Spring forecast¹ (May 2010) notes that GDP growth is expected to average at about 1% this year, "This follows from the still very low level of capacity utilisation, deleveraging and heightened risk aversion that hold back investment, and restrain private consumption growth. Consumption growth is also constrained by weak wage and employment growth and, in a number of countries, by the housing-market correction."

In this context, the focus of the session will be on understanding the factors aiding the rapid recovery of Asia and on identifying the lessons that Europe can learn from the experience of Asia, especially related to the recent economic performance. More important the session will also discuss strategies by which Europe can cooperate with Asia to aid the global recovery.

¹ http://ec.europa.eu/economy_finance/eu/forecasts/2010_spring_forecast_en.htm

Main issues at European level

A sluggish recovery: While the recovery in Europe is underway, it is slow on the whole and uneven across countries. Overall EU GDP growth is expected to be around 1% for most of this year and the impact of fiscal measures that were put in place last year to jump-start the recovery are now fading.

A jobless recovery: According to the European Commission, employment is expected to fall by (approximately) 1% over the next years. Structural problems with the labor markets in many European countries coupled with sectoral reallocations forced by the current crisis suggests that Europe will have to deal with a jobless recovery and potentially persistent high unemployment ahead.

Stretched public finances: In 2009, the general government deficit reached 6.8% of the GDP while the debt to GDP ratio in the EU rose to 73.6% in the EU. While fiscal stimulus measures contributed to this increased debt burden, the effect was compounded by decreasing public revenues caused by the economic downturn. Strengthening public finances will be important to also restore confidence in the capital markets and ensure the future strength of the Euro zone.

Weak domestic demand: While export orientated countries are benefiting from the growth in emerging markets, the domestic demand in large segments of Europe remains weak and is expected to stay that way for some months to come. The European Commission notes that “this follows from the still very low level of capacity utilisation, the risk of an undershooting in several housing markets, the still ongoing deleveraging process and heightened risk aversion that could weigh on capital spending ahead. Moreover, private consumption growth is forecast to strengthen only gradually, as disposable income is held back by weak wage and employment growth.”

Confidence in open leadership: The recent crisis in Greece has accentuated doubts in the markets and amongst observers about the extent to which the leadership of Europe is united in its actions. Coherence in strategies for aiding economic recovery across Europe will require difficult choices to be made by European leaders while they balance national vs European interests. Similar concerns around trade protectionism also arise in dealings with Asia if Europe is to benefit from the Asian recovery.

Challenges in the short and long term

Challenges in the short term

1. Accelerating the pace of economic recovery across Europe.
2. Creating jobs for reducing unemployment, raising domestic demand and for increasing public confidence.
3. Crafting appropriate strategies to grow trade with Asia while countering protectionist pressures.

Challenges in the long term

1. Designing a sustainable and competitive growth strategy for Europe which increases the overall well being of Europeans.
2. Crafting an effective political governance which gives Europe a unified voice and the ability to act decisively.
3. Forging effective partnerships between Europe and Asia in key areas, such as in exchange of talent and pushing frontiers of technological progress.

Possible questions to be discussed during the session

5 Most relevant questions to be discussed during this session

Question 1:

What are the lessons for Europe from Asia's rapid economic recovery?

Question 2:

What are the strengths and weaknesses of Europe as compared to Asia? How easy is it to apply the lessons from Asia to Europe?

Question 3:

How can the political leadership of Europe work more collaboratively with the key political leaders in Asia?

Question 4:

What are some actions that Europe and Asia can take together to aid the global recovery?

Question 5:

What are the expectations of Asia from Europe? And vice versa?

Further reading

Provide 3 interesting weblinks for further reading

1. http://ec.europa.eu/economy_finance/eu/forecasts/2010_spring_forecast_en.htm
2. <http://www.businesseurope.eu>
3. <http://www.oecd.org>

Provide 3 articles/books for further reading

1. Regional Economic Outlook: Asia and Pacific, IMF, April 2010
2. European Economic Forecast, European Commission, Spring 2010
3. Global Economic Prospects 2010: Crisis, Finance and Growth, World Bank, Feb 2010

