

# Asian and European leaders reject protectionism

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By Ingrid Melander and Huw Jones

European and Southeast Asian leaders on Sunday rejected protectionism to safeguard their national interests against a global financial crisis, spelling out their blocs' commitments to coordinate policies.

The European Union pledge of unity came at a summit intended to bridge differences over how to fight recession and to address fears that some countries could take steps that undermine the EU commitment to a single market and solidarity between members.

The Association of South East Asian Nations (ASEAN), holding a summit in Thailand on the same day, endorsed fiscal stimulus, monetary easing, access to credit and trade financing, and measures to stimulate domestic demand.

Warning that recession could cause new divisions in Europe two decades after the collapse of communist rule in the east, Hungarian Prime Minister Ferenc Gyurcsany said: "We should not allow a new 'Iron Curtain' to ... divide Europe into two parts."

Addressing such concerns, Czech Prime Minister Mirek Topolanek, whose ex-communist country currently holds the EU presidency, said after the summit: "We agreed that as much as possible we should use the single market as a motor for growth."

The Union is split between rich countries such as France that want strong action to buoy industry, especially carmakers, and poorer ones -- largely in the east -- that cannot afford such bail-outs.

The summit did not, however, agree on any regional aid package to the whole of central and eastern Europe after opposition from German Chancellor Angela Merkel.

"The EU is going to leave no one in the lurch ... but that (regional) approach was rejected," Gyurcsany said.

Germany, the bloc's biggest economy, has said EU nations must be ready to help each other but has not explained how.

However, the EU leaders did hold out the prospect of bringing countries more quickly under the protection of the single European currency, the euro.

While there was no suggestion of easing the economic entry criteria, both Merkel and Luxembourg Prime Minister Jean-Claude Juncker, who chairs the group of euro zone countries, said there would be discussion of proposals that the admission process could be speeded up.

### "BOLD AND URGENT REFORM"

Meanwhile an ASEAN statement agreed, much like the EU, to stand firm against protectionism and refrain from introducing or raising new trade barriers. It also called for "bold and urgent reform" of the international financial system.

"We will be severely tested from now on, both as a group and as a part of the broader Asia region," Thai Prime Minister Abhisit Vejjajiva told the summit's opening on Saturday.

"As the financial crisis deepens, the world will look towards our region for action and for confidence."

With this summit, ASEAN has begun implementing a road map that will in six years turn a consensus-based group long derided as a talking-shop into a single economic community of 570 million people with a combined GDP of \$2 trillion (1 trillion pounds).

But while ASEAN leaders made a stand against protectionism, they have defended their own buy-local campaigns, saying they conform with trade rules, and are similar to the "Buy American" clause in the \$787 billion U.S. stimulus package.

In the latest sign that the world faces a long downturn, the new chief executive of UBS, the world's largest wealth manager in terms of assets, was quoted as saying it would take two to three years to reach sustainable profits.

UBS is trying to rebuild its brand after big investments in risky U.S. assets forced it to make more writedowns than any other European bank, and to accept government backing.

Asked how long it would take to make UBS profitable again, Sunday's edition of the Swiss newspaper NZZ am Sonntag quoted Oswald Gruebel as saying: "If there were only factors that I could personally identify, I would say two to three years."

Latest statistics showed that South Korean exports in February fell 17.1 percent from a year earlier, half as much as their drop in January, but overseas sales are expected to keep falling as consumers and companies cut spending.

South Korea is home to the world's leading producers of computer chips, mobile phones and ships, and is the first big Asian exporter to report trade data each month, providing an early indication of the state of global demand.

"As more countries are suffering from the recession, it is difficult to say that exports have hit a bottom yet. Exports are likely to continue falling around 30 percent (from a year ago) until the end of the first half," said Ryu Seung-sun, an economist at HMC Investment Securities.

In another development in the banking crisis, sources said Australia and New Zealand Banking Group had hired Credit Suisse

to advise on a potential \$2 billion bid for the Asian units of the troubled Royal Bank of Scotland.

The coming week was likely to bring a further barrage of bad news. Two key reports on U.S. employment and manufacturing were both expected to show a significant deterioration.

Analysts believe the U.S. economy lost a staggering 648,000 jobs in February alone. Such a reading would be the worst since World War Two, and would push the total number of jobs eliminated during this recession above 4 million.

(Editing by Peter Millership and Kevin Liffey)