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TOWARDS A NEW
ASIA STRATEGY

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Executive Summary

The rise of Asia is dramatically changing the world balance of economic power. By the year 2000, the World Bank estimates that half the growth in the global economy will come from East and Southeast Asia alone. This growth will ensure that by the year 2000 one billion Asians will have significant consumer spending power and of these, 400 million will have average disposable incomes as high, if not higher, than their European or US contemporaries.

The European Union needs therefore to accord Asia a higher priority than is at present the case.

The Union needs as a matter of urgency to strengthen its economic presence in Asia in order to maintain its leading role in the world economy. The establishment of a strong, co-ordinated presence in the different regions of Asia will allow Europe at the beginning of the XXIst century to ensure that its interests are taken fully into account there.

Asia's growing economic weight is inevitably generating increasing pressures for a greater role in world affairs. At the same time the ending of the cold war has created a regional environment of unparalleled political fluidity. Consequently the European Union should seek to develop its political dialogue with Asia and should look for ways to associate Asia more and more in the management of international affairs, working towards

a partnership of equals capable of playing a constructive and stabilising role in the world.

In order to seize these new opportunities the Union should seek to make a positive contribution to regional security dialogues and to follow closely developments in particular in the area of arms control and non-proliferation, regional disputes (Korea, Spratly, Kashmir) and the security of sea lanes. Matters relating to good governance, including human rights, should also play an important role in the Union's relations with Asian countries.

The success of Europe in taking advantage of the business opportunities in Asia largely depends upon decisions taken or not taken by the private sector. The Union's role is to pursue market-opening for both goods and services and to overcome obstacles to European trade and investment by encouraging a favourable regulatory environment for business in Asia. Active participation by European companies on Asian markets it should be noted can contribute to providing qualified jobs for European workers.

To achieve its aims, the Union needs to adopt more pro-active strategies: emphasising fuller, and increasingly targeted use of economic co-operation to promote European trade and investment. This can largely be achieved within present financial resources.

Reforms of previously centrally managed economies, such as China, India or Vietnam, are an extremely important aspect of the momentous changes sweeping across Asia. European participation in these changes both at the institutional and at the private sector level, will contribute to reinforce mutual understanding and economic links.

The Union needs to conduct a co-ordinated programme of public relations in order to raise its profile in Asia.

By the year 2000, South Asia will still contain the single largest concentration of the world's poorest people, so development cooperation will remain as an instrument to contribute to the Asian governments' own efforts at poverty alleviation. Enhanced co-ordination between the Union and its Member States is required in order to achieve critical mass and the desired impact.

I. Overall Objectives

Asia defined. The term "Asia" is an over-simplification : Asia is not a single region. The 26 countries of Asia discussed in the present Communication have different cultural traditions and different social, economic and political profiles, even if industrialisation is making some of these differences less marked than in the past.¹

The main thrust of the present and future policy in Asia is related to economic matters. However, this major component of the Union policy has to be presented in the framework of the political and security balance of power in the region.

Overall Objectives

- **To strengthen the Union's economic presence in Asia** in order to maintain the Union's leading role in the world economy. The establishment of an important presence in Asia will allow Europe at the beginning of the XXIst century to ensure that its interests are taken fully into account in this key region. Given the pace of growth in Asia, active participation by European companies can also contribute to providing qualified jobs for European workers.
- **To contribute to stability in Asia** by promoting international co-operation and understanding; the Union must to this end widen and deepen its political and economic relations with the countries in Asia.
- **To promote the economic development of the less prosperous countries and regions in Asia.** Given that Asia for the foreseeable future will continue to contain the world's largest concentration of poor people, the Union and its Member States will need to continue to contribute to poverty alleviation and sustainable growth.
- **To contribute to the development and consolidation of democracy and the rule of law, and respect for human rights and fundamental freedoms in Asia.**

Priorities

If the EU is to achieve these objectives, this will require a considerable effort to re-orient existing policies and to move into new domains. The magnitude of this effort calls for a more efficient use of all available resources. Not least, this implies more co-ordination within the Union.

¹The 26 countries covered in this Communication are grouped according to 3 geographic regions: The 8 countries and economies of **East Asia** (China, Japan, North and South Korea, Mongolia, Taiwan, Hong Kong, Macao); the 10 countries of **South-east Asia** (Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Cambodia, Laos, Vietnam and Burma); and the 8 countries of **South Asia** (India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, Maldives and Afghanistan). Relations with the 5 Central Asian republics are currently dealt with in the context of the CIS and are therefore not included here.

This also calls for a set of clear policy priorities across Asia which can be followed up in a manner best suited to the individual circumstances of each country and region:

- To continue to strengthen the Union's bilateral relations with individual countries and regions in Asia.
- To raise the profile of Europe in Asia.
- To support efforts by Asian countries to cooperate at the regional and subregional level such as the ASEAN Regional Forum with a view to enhancing peace and security in the region and generally to strengthen the Union's relations with regional groups such as ASEAN or SAARC.
- To associate Asian countries in the management of international affairs and in particular to encourage them to play a more active role in multilateral actions with a view to maintaining international peace and security. To strengthen links with Asian countries in multilateral fora, and further encourage Asian participation in multilateral organisations.
- To pursue all actions necessary to ensure open markets and a non-discriminatory business environment conducive to an expansion of Euro-Asian trade and investments.
- To integrate into the open, market-based world trading system those Asian countries which are moving from state controls to market-oriented economies.
- To contribute to sustainable development and to poverty alleviation in the least prosperous countries of Asia.

II. The EU's Existing Policy Instruments in its Relations with Asia

In proposing new strategies for Asia, the European Union does not start from a *tabula rasa*: the Union has already gained considerable experience in Asia:

Bilateral Relations

Traditionally the EU conducts its bilateral co-operation with many countries and regions in Asia, as elsewhere, in the framework of Trade and Co-operation Agreements (see Annex III, Table 1).

The EU also has a structured political dialogue with most partners of the Asia region.

On a bilateral level, it is the case with Japan (on the basis of an EU-Japan Joint Declaration), China (recent exchange of letters between this country and the EU), India (on the basis of the joint political declaration of last December), Pakistan. With Sri Lanka, there has been an agreement of principle to initiate the dialogue, although it has not yet taken place. South Korea has requested a formalised arrangement.

At the regional level, the political dialogue takes place with ASEAN (there is no bilateral dialogue with individual members of ASEAN). There is provision for an annual EU-ASEAN meeting at the ministerial or senior officials level, and there is another ministerial level meeting every year in the framework of the ASEAN Post Ministerial Conference (PMC) where the EU is one of the dialogue

partners, the others being the US, Canada, Australia, New Zealand, South Korea and Japan.

At an even broader level, the EU is taking part in the only collective regional security dialogue, the ASEAN Regional Forum (see page 9), which includes most Asian countries and will meet annually starting this year.

The political dialogue has mainly taken place at the ministerial or political director level, either in a Troika format or with the Presidency and the Commission.

Fifteen years ago the European Commission's only Delegation in Asia was in Tokyo. Today there are 10 delegations in Asia (see Annex III, Table 1 for list).

Multilateral Co-operation

The Union is engaged in a wide-ranging dialogue with Asia within the UN-system on subjects of common interest relating to international peace and security. The Union has in recent years greatly expanded its economic co-operation with Asian countries. This has not only happened in the context of the GATT where the role of Asian countries has increased considerably commensurate with their growing importance in world trade, but also in UN fora such as UNCED or CSD and in the OECD with Japan (and shortly Korea).

Commercial policy

The mainstay of the Union's Commercial policy, both in general and towards the countries of Asia, has always been an active commitment to trade liberalisation within the multilateral system with respect for all of the rules and commitments that this entails. Increased market access for the Union's exporters has been successfully pursued via the Uruguay Round and other actions at the multilateral level. The Union has also sought to improve market access for European business through its bilateral relations.

Trade promotion on a European level from Europe to Asian markets is undertaken, to various degrees, across the region. However, the main trade (and investment) promotion activities from Europe to Asia are made by the EU Member States acting individually.

The Union has at its disposal a number of trade policy instruments: anti-dumping measures and safeguard measures. These are in conformity with the Union's multilateral obligations and commitments which limit their use accordingly. With respect to textiles all existing restrictions under the MFA will be phased out over ten years as agreed in the Uruguay Round.

Development aid

Between 1976 and 1991, the European Union disbursed aid worth more than 32 billion ECU to Asia. This makes the Union the second largest donor to Asia, after Japan but with three times more than the USA. Of the total amount disbursed by the Union, about 11% came from the budget line for Asia and Latin American countries administered by the Commission (see Annex III, Table 3). Only a small portion of this was allocated to economic co-operation, the remainder going mainly to rural development projects and food aid. However

effective this assistance may have been in the past, the need was felt to re-assess its effectiveness with a view to adapting the approach to the changed conditions in much of Asia.

An important start was made in the *Developing Countries of Asia and Latin-America Regulation* of 1992. The Regulation foresees two main lines of co-operation: (i) development aid for the poorest countries and population groups and (ii) economic co-operation with countries or regions with high growth potential. Environmental issues have to be taken into account in both forms of co-operation. Economic co-operation, and this was the innovation in the regulation, is aimed at improving the business and regulatory environment in partner countries in order to stimulate two way trade and investments with the direct participation of the private sector to the benefit both of the Union and the partner country.

In 1991, the EC Council and its Member States adopted a resolution on human rights, democracy and development. On this basis, the EU gives high priority to specific agreed actions aimed at consolidating democracy and promoting human rights in some Asian countries. This kind of activity is increasingly diversified covering fields such as the support of elections, NGOs, free media, vulnerable groups, information on, and sensitivity to, human rights.

In 1993, despite the fact that for many years Asia has had many high growth developing countries, only 12% of the EU aid for Asia was committed to economic co-operation. The remainder was used for activities broadly intended to alleviate poverty (the main commitments went to South Asia. In both China and India the EU's largest activity undertaken in the 1980s was a dairy development project financed mainly out of the food aid budget.

Co-operation in specific sectors. Various forms of technical assistance and co-operation are financed from special budget lines for example for **energy**, the **environment**, **tropical forests**, **science and technology**, **AIDS prevention** and **narcotics control**.

NGOs. Widespread support for Non-Governmental Organisations is available, including certain country-specific NGO funds (for example for Cambodia or Vietnam).

Humanitarian aid, refugee and emergency assistance are important contributions to the alleviation of suffering in Asia.

GSP. The Union is well aware of the importance to developing countries of access to its market. To this end, preferential market access has been unilaterally offered to Asian developing countries for many years under the EU's Generalised System of Preferences scheme. Indeed, the Asian countries are the main beneficiaries of the scheme, accounting for as much as 72% of imports by the Union under the scheme in 1992. On the 1 June 1994, the Commission adopted its Communication to the Council and the European Parliament relating to the revision and the updating of the principles to be followed in the elaboration of the new scheme to be applied for the period 1995 to 2004. The Commission will shortly table its proposals for the detailed operational scheme,

more founded than in the past on the concept of development, which will be implemented on 1 January 1995.

Stabex was extended to Bangladesh and Nepal in 1987 under a five year scheme and to Burma in 1988. These are the only countries in Asia to have benefited from Stabex.

Investment and financial facilities

EIB. In addition to its contributions to balanced development within the Union, the European Investment Bank also finances investment projects in non-member countries. Since 1992, the EIB has extended its lending operations to the Asia and Latin America regions on an experimental basis. The scheme is open to countries there which have a co-operation agreement with the Union. An allocation of 250 million ECUs per year over three years is available for these countries. During the first year of operation, loans worth 100 million ECU were made to projects in Asia.

ECIP. The European Community Investment Partners facility promotes joint ventures in Asian, Latin American and Mediterranean countries between local and European operators. Between 1988 and end 1993, 292 projects for a total ECIP financing of +/- 30 million ECU have been approved for Asia.

III. The European Union's New Political Approach towards Asia

1. The Justification for Closer Political Relations

Introduction

The European Union is entrusted with the task of developing a common foreign and security policy to enable it to protect its interests and values as well as playing a constructive role in world politics.

The increase of the relative weight of Asia in the world economy will considerably reinforce the political weight of this region on the international political scene.

To keep Europe in its major role on the world stage it is imperative to take account of the emergence of these new Asian powers.

The maintenance of peace and stability in Asia is an important factor not only for the protection of the Union's interests in this region, including economic ones, but also for the respect of international obligations and agreements on which the Union itself depends for its security, e.g. regarding non-proliferation. It is therefore essential that the Union develops the capacity to play its proper role in the region.

1.1 Security Arrangements in Asia

Political and security relations between Asia and the major powers are undergoing a gradual but profound shift under the combined influence of rapidly spreading economic growth and the end of the Cold War.

From a security viewpoint, the US remains the key player in the region and the current situation is characterised by a web of bilateral security arrangements between the United States and a number of Asian countries. At the present moment, no single Asian country or outside power appears to be in a position to take over the role of the US.

The US is in the process of developing a more pragmatic relationship with Asia. Whereas in the Cold War the US was prepared to subordinate its economic interests to the goal of containment, it is now focusing more and more on the economics of the relationship.

A further sign of such a shift in US policy towards Asia is the recent decision to extend (with a few exceptions) the MFN-treatment of Chinese exports into the US. The US thus delinked trade and human rights. This shift may also be regarded as a move towards a more long-term strategy aimed at influencing developments in China by further integrating China into world trade and economic relations.

Japan enjoys a privileged security relationship with the USA. The Japanese constitution renounces Japan's right to declare war and proscribes the use of Japanese forces outside Japan. Participation in certain international peacekeeping operations has, however, been possible.

In the wake of the Soviet collapse, Russia has tended to turn inwards and refrain from an active role, but remains a country to be reckoned with, notably with regard to developments in North Korea.

Pakistan, through its involvement in Afghanistan, and also China and India, are playing a significant role in former Soviet Central Asia, a key area for the stability and future development of Russia.

In the aftermath of World War II, Europe's former Asian colonies gained their independence leading to the almost complete withdrawal of European forces from the region. Hong Kong and Macau will revert to China in 1997 and 1999, respectively. As a result, the European influence on developments in Asia has for many years been exerted mainly through the medium of trade and investment, as well as development co-operation and cultural exchanges. It is to be noted, however, that some Member States still have wider interests in the region and maintain relationships that include a security component (e.g. the Five Power Defence Arrangement which links the UK with Malaysia and Singapore).

1.2 Political and Security Co-operation between Asian Countries

The reduction of tensions in the world has allowed the Asian countries to take the first modest step in the direction of developing an Asian identity and cultivating Asian approaches to Asian problems starting at the subregional level.

The change in the "rapport de force" with non-Asian powers is translating into political confidence, notably and vocally among the countries of South East Asia, which no longer hesitate to question our moral values and our social systems.

Economic growth and imitation effects are having a dampening effect on intra-regional tensions: there is a shared perception in Asia that growth leads to prosperity, which in turn generates stability and security. But economic growth also makes it possible to expand military budgets: a number of countries, notably in South East Asia, have been active in developing their capabilities, especially in the naval field, and in spite of the soothing effects of economic growth, there remain a number of potentially serious regional flashpoints (Spratlys, Kashmir).

The first steps towards a regional security forum are taking place under the auspices of ASEAN, but at the same time there are signs that Asia is moving towards a classical balance of powers diplomacy.

The Union has a long-standing relationship with ASEAN. There is a formal EU-ASEAN agreement (1980). The EU participates in the annual ASEAN Post Ministerial Conference, which will now extend to the newly created regional security forum, the ARF (ASEAN Regional Forum). The ARF will be meeting for the first time this year. It encompasses most of the countries of Asia except North Korea and includes North America, the EU and Russia. In conformity with the principle of ASEAN itself, the discussions are to be consensus oriented and the participants clearly wish to avoid conflictual debate.

Although ARF may over time develop into the overall security forum for the Asian region, it is likely that subregional groupings may emerge to deal with specific problems, such as those of North East Asia. These subregional groupings may or may not operate in the framework of the ARF. The European experience gained from establishing and operating the CSCE may be of a certain relevance in this connection.

1.3 Asia in Search of a Role in World Politics

With the increasing strength of Asia and individual Asian countries it is however inevitable that this region will wish to play a more prominent role on the world stage. Economic importance rather than military force will serve as a platform for its influence.

In connection with the debate on the restructuring of the United Nations Security Council it is already evident that Asia wants a stronger and also a permanent representation. It is well known that certain of the more important Asian countries feel entitled to a permanent seat in the Council. Considering the special responsibilities associated with being a permanent member of the Council this is a clear sign that these countries have the ambition to involve themselves in political questions relating not only to the Asian region but also beyond.

Another indication pointing in the same direction is the participation of certain Asian countries in international peacekeeping operations outside the Asian region. It is very much in the interest of the Union that the responsibilities of carrying out such operations be shared between as many countries as possible.

2. Characteristics of the new Political Approach towards Asia

2.1 Strengthening the Political Dialogue with Asia

The political dialogue between the Union and Asia should develop within the following parameters.

The political dialogue must gain its legitimacy from the Council and from the European Parliament with the Commission playing the special role conferred upon it. The approach by the Council towards Asia is partly a reflection of the different historic relations between the individual Member States and the region, partly their present interest in strengthening such relations, often dictated by economic considerations. The Union's obligations entered into under global arrangements also play an important role. The European Parliament has adjusted its structures and working methods to accommodate its increased responsibility post-Maastricht. Its interparliamentary Delegations and sectoral committees, as well as ad hoc missions, have established contacts with all the major countries of the region.

Asia has on its side consistently advocated an outward looking European Union which represents for the Asian countries a major source of income and investments. Asia has repeatedly encouraged Europe to show a greater interest in the region. The Asian countries have however refrained from being too specific in identifying the precise subjects which they would wish to elaborate further in a political dialogue with the Union. This may be explained by some uncertainty about how the Union works (representation), partly by a perception of the European Union as being a difficult partner to negotiate with (Uruguay Round).

The basic objective of the policies towards Asia in the coming years must therefore be to increase Asian interest in and knowledge of the Union and to demonstrate to the Asian countries the ability and commitment of Europe to make a positive contribution to the peaceful development and stability of the region. The EU should, in particular, develop its political dialogue with those countries in the region which are prepared and able to make a significant contribution to the maintenance of the region's peace and stability.

2.1.1 The European Union has already initiated a political dialogue with several Asian countries and group of countries and is in the process of developing dialogues with a number of others. The existing dialogues have typically consisted of a presentation of the general situation of the respective parties and discussions on regional and global problems. It might, however, be desirable to focus on specific subjects with appropriate preparation and follow-up. One way of achieving this would be to dedicate Troika meetings to agreed themes on which the parties would have sufficient time to elaborate.

In the future more effort should be spent on developing the political dialogue at expert level with a view to deepening the dialogue and if possible making it more operational.

2.1.2 The Union participates in the ASEAN Regional Forum which provides for a wide-ranging dialogue on security concerns encompassing the greater part of Pacific Asia. The Union must follow the evolution of the ARF and develop ways for making its own particular contribution to the discussion of such matters.

2.2 Subjects for Political Discussion

1. Arms control and non-proliferation

Rapid economic growth, territorial disputes, increasingly ambitious armament programmes, the potential for distrust in such a large region and the weakness of the multilateral organisations for political consultation are all factors which could lead to regional conflicts in Asia capable of disrupting world equilibrium and thereby impinging on CFSP objectives.

Whereas global military expenditure fell by 20 % in 1993, such expenditure grew in East Asia alone.

The European Union considers policies on arms control and the non-proliferation of weapons of mass destruction (nuclear, chemical, biological, ballistic missiles) as important elements of the Common Foreign and Security Policy. These are probable areas for future joint action. The EU should explore the possibility of continuing or initiating dialogue on some of these points with the Asian countries.

The EU could focus these discussions on the following:

- **Conventional Arms.** The UN Conventional Arms Register was the result of a joint EC-Japan initiative and came properly into effect at the beginning of 1993. The gathering and publication of data are an essential measure of confidence where conventional arms transfer is concerned. The EU has already initiated a dialogue, which should be pursued, with many of the region's countries on the need to improve the register's coverage and efficiency.
At the 48th UN General Assembly, the international community began its reflection on the "Convention on prohibitions or restrictions on the use of certain conventional weapons which may be deemed to be excessively injurious or to have indiscriminate effect" in order to examine, in particular, an amendment to its Protocol II on anti-personnel mines. These negotiations will run to 1996. A successful outcome would be in the joint interest of the EU and the Asian countries given the use of such mines in conflicts in the region.
- The indefinite and unconditional extension of the NPT in 1995 is one of the CFSP's most important short term objectives. The EU will continue its efforts to improve the Treaty's coverage. At the same time, the Union will make great diplomatic efforts with the countries of the region party to the Treaty to reach the objective of such an extension.
- **Strengthening the IAEA's Safeguards System.** The international tension brought about by North Korea's attitude on nuclear inspections underlines the need to reinforce the efficiency and maintain the credibility of the IAEA's safeguards system. This challenge for the international community also provides an opportunity for the EU and the Asian countries to cooperate.
- **Export Policies on the Export of Sensitive Goods and Technologies.** Given the industrial and commercial dynamism of the Asian countries and the deepening of their already well-developed technological abilities as suppliers, they are already major suppliers of goods and

technologies which could be sensitive for the proliferation of weapons of mass destruction, whether in the chemical, ballistic, biological or nuclear sectors. (According to the IAEA, Asia is the only region in the world where there is an increase in the use of nuclear generators for domestic electricity supply with the number of nuclear power stations set to double from 70 in 1992 to 140 by 2010). A dialogue between the EU and Asia on the basis of objectives of non—proliferation and legitimate industrial, technological and trade development is of prime importance.

- **Conventions Prohibiting Chemical and Biological Weapons.** The rapid and concrete implementation of the obligations of the 1993 Convention Prohibiting Chemical Weapons and the strengthening of the terms of the 1972 Convention Prohibiting Biological Weapons are important short-term objectives for the EU with a view to consolidating the international non-proliferation and disarmament system. These topics could be appropriately pursued by the Union in its dialogue with Asian partners.
- **Comprehensive Nuclear Test Ban Treaty.** The EU actively supports the efforts of the Disarmament Conference in Geneva to conclude a universal and verifiable treaty and should encourage its Asian partners to join in that support.

2. Human Rights

The development and consolidation of democracy and the rule of law and respect for human rights and fundamental freedoms together form a major objective of the external policy of the European Union. Regarding human rights, the general approach of the EU is endorsement of existing international standards, as set down in the relevant international instruments, to which most or all Asian countries are signatories. In this respect, the Union should encourage all countries to become signatories of and to fully implement all relevant international instruments. The European Union pursues this objective, inter alia, through dialogue guided by the Vienna Declaration and Programme of Action of the 1993 UN World Conference on Human Rights, to the success of which both the Union and the Asian countries have actively contributed.

In the first place the dialogue on human rights will predominantly be dealt with in its context and in appropriate fora both bilateral and multilateral, such as the UN Commission on Human Rights where the governments of the countries concerned are most likely to be under scrutiny.

The concept of the interrelationship between human rights, democracy and development, should be inspired by the assumption that economic development could bring about the progressive construction of civil society and thus improve the exercise of human rights, which in their turn could also be an important factor for development.

Emphasis should also be given to facilitating legislative and institutional reform, and, in this respect, technical training and granting of scholarships as well as visits and seminars could be envisaged.

3. Drugs

The drug phenomenon constitutes a global problem and is today considered a major threat to the stability and democracy of societies confronted with it. Drug

trafficking, drug production and drug consumption also presents a problem to Asian regions and has significant repercussions on the European economies and EU security and stability. The globality of the problem is widely recognised and the need for co-operation at international level is clearly voiced. The European Union therefore already initialised a dialogue on drug and drug related matters with some Asian countries such as India and China. This approach has to be pursued in order to enhance awareness of the drug problem at the highest political level. In fact the necessity for the systematic inclusion of the drugs question in the political dialogue has been stated and elaborated in the recent communication from the Commission to the Council and the European Parliament on a European Union Action Plan to Combat Drugs. The implementation of this drug plan has already been identified by the Corfu Council as a priority. The immediate objective of a political dialogue on drugs with Asian countries should be the improvement of the capacity and willingness of the countries concerned to commit themselves fully in the fight against drugs. A further aim will be the ratification by third countries of the three United Nation Conventions on narcotic drugs and psycho tropic substances.

IV. The European Union's New Trade & Co-operation Strategy Towards Asia

1. Justification for a New Trade & Co-operation Strategy

1.1 Economic growth in Asia

Europe's interests in Asia are (i) to benefit from the economic opportunities and to respond to the economic challenges in the region which contains the world's fastest growing countries, and which could represent between a quarter and a third of the world economy by the year 2000; (ii) to integrate into the open, market-based world trading system those Asian countries such as China, India or Vietnam which are moving from state controls to market-oriented economies; and (iii) to assist in the enormous problem of poverty alleviation.

To secure these objectives, and to prepare for the growing role of the Asian powers in world affairs, the European Union needs to accord Asia a higher priority than it has done in the past. The Union also needs to re-assess its policies towards the countries and regions of Asia, moving from the defensive to the pro-active. This can only be achieved by the Union and its Member States in co-ordination and with the direct participation of the European private sector.

Characteristics of economic growth in Asia. Economic growth in the three regions of Asia has been extensively analysed and described (see Annex IV for economic profiles of the countries and regions of Asia). The main characteristics having direct implications for the European Union's new strategies are as follows:

- **Variations in growth:** Average GNP growth per capita in East Asia between 1965 and 1990 was 5.5%. Southeast Asia was not far behind, but the average conceals important variations. East and Southeast Asia contain some of the world's richest countries to be sure, but they also contain some of its poorest (e.g. Mongolia, Burma, Cambodia, Laos or Vietnam). South Asia has on average had less rapid growth (1.8% over the same period), but there have also been important increases in wealth.
- **Rapid spread of growth:** Economic growth in Asia has spread very rapidly from one country, and from one region, to the next.

Given the above two points, European Union strategies will have to be **flexible** and **modular** in order to anticipate changes in all three regions of Asia, and they will have to be geared to the particular circumstances of the different countries and regions there.

Continued high growth in large parts of developing Asia. Despite the slow-down in Japan and in most of Europe (and in the US until 1993), the IMF reckons that Asian GNP will have grown on average by 44% between 1990 and 1995, (compared to 16% and 11% respectively for Latin America and Africa, and minus 32% for Eastern Europe and the former Soviet Union).

Growth of this order shows every sign of continuing and expanding, transforming as it does those countries and areas as yet untouched. There are signs that South Asia too could also enjoy higher growth in the next ten years, especially if the momentum of the restructuring process is maintained. However, South Asia will only succeed in substantially reducing poverty if economic growth there is matched by a significant reduction in birth rates.

Trade within Asia is growing rapidly, but growth trends within the three regions are very different (see graphs in Annex II). Here as elsewhere, East Asia has led the way: the increase in trade between East and Southeast Asia is striking. The proportion of trade between these two regions in 1991 (as compared to their trade with the rest of the world) was about the same as in NAFTA (42%) and this share was arrived at in a much shorter space of time. The jump in intra-trade is a "natural" development, i.e. it was achieved without formal trade arrangements and it is for the moment unlikely to lead to such arrangements. The growth of intra-Asian trade has led to a decline in dependence upon developed country markets in North America and Europe to a degree never before seen. South Asia for the moment remains outside the growth in intra-regional Asian trade.

External trade plays a key role in both high speed and developing Asia's economic growth, although in varying degrees. The World Bank reckons that half the growth in world trade up to the year 2000 will be generated in East and Southeast Asia alone. This holds out enormous opportunities for the Union and can help create many new jobs.

Total East Asian trade doubled over the last decade. In 1992 it stood at one trillion ECU (of which Japan accounted for half). Trade in Southeast Asia has also grown, but not as rapidly: in 1991 it was 350 billion ECU. South Asia's total external trade (\$50 billion) has only grown 25% over the same decade (the Union's two-way trade with all the countries of South Asia is only marginally larger than with Singapore).

Some countries in the region have a well established record as free trading nations, others have only recently started to liberalise their trading regimes, while there are also countries which do not yet participate in international trade. Trade policy with an emphasis on *de facto* market access for both trade in goods and services will therefore be a key component in the Union's strategies towards not only developed Asia but also Asia's newly emerging markets.

In the area of trade the Union is, after the US, the most important market for the developing Asian countries, absorbing in 1993 as much as 128 billion ECU of exports or 27% of their total exports (see Annex III, Table 2). Without doubt, the Union has benefited as Union exports to these countries increased from 15 billion ECUs in 1980 to 93 billion ECUs in 1993. Concomitantly, the share of developing Asia in Union exports jumped from 7% to nearly 20%, thereby overtaking the 18% share of the US in total Union exports.

The inclusion of the EFTA countries in the Union will not greatly alter EU trade results with Asia countries since EFTA's trade with them is only about 10 to 15% of that of the Union (although individual EFTA countries hold important shares of specific Asian markets).

Foreign direct investment (FDI) plays quantitatively and qualitatively an important role, in particular in East and Southeast Asia. The EU's relative share has declined steeply (between 1986 and 1992 only 10% of the region's FDI came from the Union), therefore the Union's new strategy will emphasize investment promotion and the creation of favourable conditions for European investment in Asia.

Total FDI flows to these regions increased steadily during the eighties, with Japan being the long established leader of the three, followed by the US. Although Japan has the highest stock of cumulative FDI in Asia, since 1991, annual investments from Taiwan, Korea and Hong Kong have been at a higher level.

Sustainability of growth in developing Asia. The impressive economic growth, especially in developing East Asia, should not prevent a critical assessment of its sustainability: **high growth** calls for adjustment (just as does low growth and stagnation, albeit adjustment of a different type). In the context of much of Asia this concerns in particular political liberalisation, as better paid, better fed people demand more individual freedom. The ability to address this issue in a

satisfactory way will no doubt be of critical importance in sustaining economic growth in many Asian countries.

Sustaining high growth will also be determined by the ability to improve infrastructures, the lack of which can easily become a bottleneck to future growth.

Some countries need to invest heavily in mass education and the reform of their educational systems. This was one of the most important strategies for high growth and equitable income distribution in East Asia. All large countries in the region (China, India, the Philippines, Thailand, Indonesia and Vietnam) face severe regional imbalances as economic development has been in these countries first and foremost either concentrated in urban centres, or closely associated with one particular part of the country.

The environmental sustainability of unchecked rapid growth in the region is a source of growing concern with increasingly global dimensions. This applies not only to tropical forests, but also to the relatively low levels of energy efficiency in many countries of the region. Coupled with the relatively abundant supply of carbon rich fossil fuels (India, China) this is a problem which poses a particularly urgent challenge.

Market transition. Many countries of Asia are in the process of reforming their economies to make the transition from centrally planned to market based systems. Many are still hampered by large and inefficient state enterprises. The new strategies of the Union will be aimed to assist the ongoing reform process. It is after all in the enlightened self-interest of the Union to encourage the growth of new markets which are open and compete within the internationally agreed framework of the GATT.

Poverty also has its imperatives. Asia's future is not a homogenous picture of dynamic growth. A characteristic of high speed growth in East and Southeast Asia was that it brought with it a dramatic increase in human welfare and huge reductions in poverty. The same is not so easily obtained in South Asia which in the year 2000 will still contain the single largest concentration of the world's poorest people. This represents more than just a brake on the South Asian countries' economic development and their potential as future markets for European business. People below the poverty line have higher fertility rates, greater vulnerability to disease and little option but to pursue short-term, environmentally degrading practices. These are challenges of global significance: poverty alleviation will therefore remain an important strand of the Union's Asia strategy.

1. 2 Asia policies of Japan and the US

A re-evaluation of the EU's policies towards Asia cannot take place in a vacuum. All of the major international actors have an interest in the region, more so even than the EU whose interest is in the first instance primarily economic. The Union must therefore be aware of the ideas and actions of others if it is to safeguard its interests and maximise the potential of its own policies.

Japan's presence in East Asia and the role that it has played in the region's development is massive and on-going. Aid, trade and investment links are very strong and have proved to be mutually beneficial. Recently there have been signs that Japan's relations with South Korea in particular are improving. In the case of China, after a slow start, economic links are becoming

ever stronger. Southeast Asia is a major supplier of raw materials to Japan, and since 1985, Japan has relocated manufacturing capacity there on a scale unmatched by either Europe or the US. Japan is also intent on increasing its presence in South Asia; India is now a major recipient of Japanese ODA. In addition, Japanese direct investment in India has increased in recent years, albeit from a very low base. Japan is gradually assuming a higher profile throughout Asia, although it is careful to disassociate itself from the more assertive tone of some US or European pronouncements on human rights.

The United States has started to place increasing emphasis on its Asian Policy. The most obvious sign of this has been its active promotion of, and participation in, APEC (Asia Pacific Economic Co-operation, see). At this stage it is far from clear that this initiative has been successful. The recent trade dispute with Japan, a series of small disputes with Southeast Asian countries and the question of China's MFN status all suggest that whilst the US wishes to increase its economic presence in the region, it has not yet found the optimum balance between the different policy strands. However, it is likely that away from "high politics", links between the respective business communities will be strengthened. The US is India's largest trading partner with total bilateral trade of about half EU-India trade. India has been selected as one of the US Commerce department's "big ten emerging markets" (and a Section 301 target).

1.3 The need for new EU strategies

Large parts of Asia are booming and market access is improving, but business there must be earned. The presumed dependence in all three main regions of Asia on Europe whether for their capital and know-how, or as a counter-balance to Japan and the USA, is less valid today than even five years ago. The reason for this is that Asia now has its own resources of capital, management and technological capacity.

It follows therefore that the European Union needs new pro-active strategies towards Asia. Above all it needs to strengthen its economic presence in Asia in order to maintain its leading role in the world economy. In doing so it is able to build upon the steps taken by individual EU members states to develop new strategies towards Asia.

The costs of failing to develop pro-active strategies towards Asia

The Union stands to lose out on the economic miracle taking place there because of the strong competition: from Japan and the United States, and also increasingly from companies within the region's newly industrialised and capital rich countries such as Korea or Taiwan. To take but the example of Japan. Already Japanese companies are competing with each other to consolidate their position in Asian markets. They have invested heavily and are establishing the type of sales and distribution systems which European companies have found so hard to penetrate in Japan itself. If European companies are unable to take a full share of the world's main centre of growth in the next decade this will affect their profits and competitiveness, not only in Asian markets, but also world-wide.

If the Union loses out on the economic miracle taking place in Asia, this will have political costs, and at the very least it will exacerbate the calls for more defensive policies from those who view Asia as a threat rather than as a valuable partner, which in turn will further reduce the benefits to be gained from Asia, and so on, in a spiral of decline.

Basis of new strategies. Not the least significant aspect of the ongoing Asian transformation is that it represents the first achievement of sustained economic growth by a major area of the world outside of Europe or regions of European settlement. This means that the Union will not be able to take for granted automatic acceptance of European values and ways of doing things. Universal human rights are recognised in Asia as in Europe, but the manner in which these are advocated and defended is crucial. For its part, the Union favours a frank and open dialogue on these issues which should be developed as a necessary strand in the policy mix.

Economic growth in Asia has been market driven, taking place for the most part without formal regional structures. Therefore the Union's new strategies will be based upon an appreciation of the cultural, economic, social and political characteristics of each of the EU's individual partners in Asia.

The EU's strategies will also cover relations with regional groupings in Asia such as the ASEAN (Association of Southeast Asian Nations); SAARC (South Asia Association for Regional Co-operation); sub-regional arrangements such as the numerous cross-border "growth triangles" now emerging; and supra regional groups such as APEC (Asia Pacific Economic Co-operation), which link East Asia across the Pacific to the Americas and Australasia.

2. Characteristics of the New EU Economic Strategy Towards Asia

2.1 Economic policy implications

This section elaborates the specific policies and instruments required to achieve the policy objectives and the main policy implications within each of the domains. The individual design of policies will of course be country specific and must be elaborated in the light of their individual circumstances. The Union has a great deal of policy experience in Asia and must build upon its previous successes.

More and more countries within Asia are growing into economic and political powers and are becoming increasingly integrated into the world system. The EU's existing relations with them must be adapted to reflect the fact that we are all now partners in a global economy. It is therefore essential that the EU reinforces, or where it does not yet exist, establishes a non-confrontational dialogue of equals, to address questions of bilateral concern and also to consider jointly the growing number of global concerns: most notably the maintenance of an open rule-based world trade system; preservation of public goods such as the environment; and particular issues such as trade in narcotics or the prevention and cure of AIDS.

Closer consultation and dialogue can generate a greater understanding of each other's viewpoints and problems and facilitate the search for consensus solutions. This can in turn help to avert disputes and provide an environment which is of benefit to business both in Europe and in Asia. The importance of such dialogue goes beyond the purely bilateral. If the Union can assist in the

development of a consensus approach, this will feed into inter-regional initiatives (e.g. APEC) and smooth the path for work undertaken at the multilateral level, for example concerning the post Uruguay Round agenda.

Regionalism and multilateralism. The EU has a long-standing relation with ASEAN which remains a cornerstone of its dialogue with the region. The Union has welcomed the ASEAN Free Trade Agreement and indeed welcomes all such initiatives for regional co-operation provided they are consistent with the GATT-based multilateral trade system.

2.1.1 Raising the profile of Europe in Asia

The impact of certain actions can be greatly enhanced if individual Union actors join their forces. This applies as much to the business sector where the Union's image can act as an important selling point as to international fora. It also applies to co-operation programmes and activities, especially economic co-operation, which take place within a highly competitive environment.

A greater knowledge of the Union and its activities would increase the regard in which it is held in Asia. The EU should therefore provide much more information about Europe and make a much greater effort to explain the nature and objectives of EU policies in Asia. Greater efforts should also be made to provide information on European financed activities in Asia, especially economic co-operation (and also development projects). A wide range of different policies could fall within this domain:

2.1.2 Public information policy: in order to draw up a more efficient public information policy, a baseline all-media study of the European image in Asia is an essential prerequisite.

2.1.3 An enhanced visitors programme to invite distinguished Asian politicians, journalists, academics and other leaders to Europe should be considered.

2.1.4 Strengthening Higher Education and training links with Asia, including University Co-operation schemes targeted into specific technological, policy and management studies and emphasising the implementation of joint or mutually recognised post-graduate programmes, joint-research projects and university-industry co-operation activities. These will include, inter-alia, support to European and Asian Studies Centres and joint Management and Technical training programmes, implemented whenever possible with the active participation of European and Asian companies.

2.1.5 Encouraging decentralised co-operation between the institutions which are the basis of a pluralistic civil society. Such co-operation has in the context of the Union been a powerful force in the shaping of the European identity. With regard to the EU's relations with Asian countries, activities such as town twinning or cultural exchanges will be invaluable in an environment where there is a serious lack of knowledge and of mutual comprehension.

2.1.6 Improving European expertise on Asia by supporting a network of European centres specialising in Asia (to share perspectives and expertise on Asia and to provide counsel and advice to European policy makers); and funding in countries such as Korea or China initiatives based on the EU's young executives programme in Japan.

2.2 Strengthening the European Economic Presence in Asia

Economic co-operation is based upon the concept of mutual benefit, and as such is qualitatively different from development co-operation. This characteristic makes economic co-operation an important instrument in the EU's relations with many of the Asian countries, where the level of development is rapidly rising. It should be extended towards countries such as Korea for which at the moment it is not used.

There is also obviously scope to strengthen links in the fields of scientific co-operation and research and development, narcotics control, AIDS prevention and environmental co-operation. The Union is of course already active in these areas, but their potential needs to be exploited to the full.

Co-ordination with Member States and the private sector. The Union's co-operation in Asia will be complementary to that of the Member States. In order to achieve this and in order to increase the effectiveness of Union and Member State co-operation activities, greater co-ordination will have to take place between them in terms of: policy co-ordination; operational co-ordination, including in the field; and co-ordination in multilateral fora. With regard to economic co-operation, the direct participation of the private sector is also a *sine qua non*.

The following activities (all of which contribute to economic cooperation in the broadest sense) are intended to ensure that European private sector is faced with a trading and investment environment which is conducive to economic growth and international trade. These activities will therefore promote European trade and investment in Asia:

2. 2.1 Representations (lobbying): it is necessary to undertake all the appropriate steps to obtain from Asian partners modifications of their legislation and administrative regulations which hamper the development of European trade and direct investments. Basic concerns include **Standards and Quality Control; Intellectual Property Rights** and the negotiation of **Mutual Recognition Agreements** on standards, testing and certification.

2. 2.2 Providing expertise and policy advice to the ex-state trading countries of Asia which have embarked on structural economic reform, such as China, Mongolia, Vietnam or Laos, to assist them to set up the institutions, policies and laws to make a smooth transition to market-based economies (an example would be the EU market transition programme in Vietnam, the first major programme of this kind in Asia). Those countries who have not so embarked (Burma, North Korea), should be encouraged to do so as soon as political conditions permit.

Countries such as India and Pakistan which have already set about deregulating their economies should be assisted in these policies.

2. 2.3 Promoting business co-operation between European companies and their Asian counterparts This should be done by increasing information and by creating a favourable framework for industrial co-operation and notably for SME's; through existing instrument.

Regarding the first point, information on trade and investments in both Europe and Asia, and improved information with regard to Asian markets and contracts, are required.

The opening of European Business Councils; Joint Investment Committees and especially European Business Information Centres (EBICs), are steps in the right direction, but more need to be opened (there are none as yet in China, ex-Indochina or Pakistan). The European Business Community in Tokyo and Seoul need to be supported. The role of the EBICs is to provide information on European and local market conditions, including trade and investment opportunities. They are established in close co-ordination with bilateral Chambers of Commerce and EU Member States' private sector representatives. To be successful, the EBICs also require backward linkages to European business associations and Chambers of Commerce and EU Industrial federations.

Second, a favourable framework for industrial co-operation which aims at creating a positive climate for EU investment and co-operation, should be initiated by launching concrete activities such as sectoral round tables, sufficiently horizontal industry-oriented training initiatives and pilot actions in the field of technological co-operation."

2. 2.4 Establishing better links with European business associations and Chambers of Commerce. This could either be done by the formation of a business association at the European level as foreseen in the White Paper on Employment (e.g. "the Europe Asia Business Association"), or by setting up a network with existing national associations. The objectives of such an association or network would be to promote economic co-operation between the European Union and the countries of Asia and to share perspectives and expertise on Asia and to provide counsel and advice to European policy makers.

2. 2.5 Enhancing co-operation in the fields of science and technology and research and development. There is no doubt that such co-operation can have a positive effect upon the Union's economic presence within the region. To date the majority of the Union's efforts in this domain has either been co-operation with Japan, for example the new Forum on Science and Technology, or come under the Science and Technology for Development programmes. The recently approved Fourth Framework Programme (1994-98), Action 2, covers co-operation with third countries, especially developing countries and thus provides a means of enhancing scientific and technological co-operation with Asia. It would be important to reinforce these activities in so far as scientific co-operation in advanced fields such as information and communication technologies, industrial, and materials technologies and biotechnology's are concerned. A separate approach which merits a broader coverage is the establishment of European technology centres:

- The funding available for international RTD co-operation under the 2nd Activity of the 4th Framework programme is relatively limited. Co-operative projects with Asia must, moreover, concentrate on areas where the co-operation will be beneficial to Community interests.
- This being so, there may be scope for looking to other sources of funding, including under other policies of the Union, and other types of RTD co-operation. For example, it is particularly important to foster contact between young researchers of Asia and the Union as future leaders in the economic fields in their respective regions and therefore potential multipliers in terms of improving understanding and enhancing mutual interests.

2. 2.6 Establishing European technology centres especially in key sectors where Europe has a comparative advantage, e.g. the EC-Singapore Regional Institute for Environmental Technology which acts as a window for European research and development and

services (in a sector which has equal salience both in dynamic and in developing Asia). Such windows for European R & D should be co-financed by the Union and the host country and may be based on institutional twinning. They should maintain close contact with other business facilitation activities such as the EBICs.

2. 2.7 Supporting investment. The Union is lagging seriously behind other investors in the Asian boom (providing only 10% of inward FDI to East and Southeast Asia between 1986 and 1992). Many of the activities and instruments falling under economic co-operation (listed under points IV.3.1 to 2.2.6 above) are therefore designed to support and promote European direct investment in Asia (one of the main tasks of the European Business Information Centres for example is to provide information on market and investment conditions in the Asian countries and regions in which they are established). In addition, the Union needs to promote direct investments by

- **Providing financial incentives** for joint ventures and other forms of business tie-up (e.g. by using the European Community International Investment Partners scheme, ECIP, or the European Investment Bank or by sponsoring market research).
- **Supporting trade promotion.** There is no need to duplicate Member State export efforts, but better co-ordination is needed to maintain an active presence on Asian markets as called for by the White Paper on Employment.

2. 2.8 Co-operating to alleviate poverty

Development Aid has traditionally been an important tool of the EU's policy, politically as well as economically and, at least for some countries, it will continue to be so.

East Asia has had an extraordinary success in reducing poverty by adopting outward oriented trade strategies, by importing foreign technologies and welcoming foreign investments. The Union supports this approach in its emphasis on economic co-operation.

Success can be claimed in **alleviating poverty** by South Asian governments and donors, including those of the European Union. But the problems are complex and, given the magnitude of the challenge and the limited resources available, aid needs to be constantly fine-tuned to ensure effective poverty alleviation. This will include emphasising support for policies which enable the poor to participate in growth by addressing barriers denying them access to opportunities, assets, credit or basic inputs, or by investing in the poor, for example by supporting primary education, health care (especially reproductive health care), preservation of the environment, supply of services to reduce urban slums and potable water supplies in poor regions.

Since the aid administered by the Commission only accounts for about 10% of the Union's total aid to Asia, in order to achieve maximum impact, the Commission and the Member States need to enhance their coordination. In addition, in evaluating the impact of its aid, the Union needs to ensure that the balance between poverty alleviation and economic co-operation fits the changing conditions in Asia. Account will also have to be taken of the overall political conditions under which the aid is delivered to the recipient country in order to ensure maximum efficacy.

2. 2.9 Enhanced co-operation in the field of the Environment

Given the growing importance of international and economic relations in the field of the environment, it is important for there to be effective co-operation with the countries of the Asian region.

Within the resources available, the development of Community relations on the environment with countries in Asia need to be reinforced. Strong relations already exist with Japan and those with China and Korea are expected to move to a more formal footing in the medium term. The global nature of many environmental problems and the severity of the problems in certain Asian countries, as well as the promises made by the Community at Rio necessitate an environmental dialogue with third countries.

2. 2.10 Development of market for agricultural production

Despite increasing agricultural production, there will be an increasing demand for imports of agricultural products, partly due to a change in diet. In the medium term these countries therefore will demand more cereals and livestock products from the world market. Therefore, there is a risk that import protection, for which Japan and Korea are striking examples, could spread even more in the region, although the commitments taken in the Uruguay Round will help to contain this kind of development. The European Union has an interest to be present on these markets with its agricultural products too, particularly processed ones.

V. Conclusions

The range of policies and instruments as set out in Parts II to IV above will be applied in a modular form which means that a coherent range of activities can be applied to different countries and regions in order to meet the interests of the European Union and its Member States, as well as the interests of the partner and recipient countries.

Individual components can be adjusted as countries evolve their economic structure (see Annex I, Table 2). In other words, the Union and its Member States should not seek to apply as many of the instruments as possible to as many countries in Asia as possible. This could only result in spreading of limited resources too thinly with a negative impact on both effectiveness and profile. It will be necessary therefore to prioritise both in terms of countries and in terms of sectors, and to apply different instruments to countries that are at different levels of development. The new strategy requires a comprehensive approach covering political, economic and cooperation aspects :

- The Union needs to accord Asia a higher priority and to deepen and extend its dialogue with Asian countries and regional groupings. This dialogue should be pursued both bilaterally and in the framework of multilateral organisations.
- The Union should, in particular, develop its political dialogue with those Asian countries which are prepared and able to make a significant contribution to the maintenance of peace and stability both within the region and globally. Arms control and non proliferation are of particular importance. The human rights issue form an integral part of the political dialogue.
- The Union should strengthen its relationship with regional and subregional security fora. The ASEAN Regional Forum is of particular note in that it allows for a wide-ranging dialogue on security concerns encompassing the greater part of Pacific Asia.
- The Union needs to place greater emphasis on market opening, for trade in goods and in services.;
- The Union needs to select priority sectors for economic co-operation which reflect its own comparative advantage, e.g. banking, energy, environmental technologies, transport equipment, telecommunications, etc.
- The Union needs to help integrate into the open, market-based world trading system those Asian countries such as China, India, Vietnam or Pakistan which are moving from state controls to market-oriented economies.
- Greater emphasis should be placed on pro-active economic cooperation. Top priority for this type of co-operation should go to the newly emerging Asian markets, largely, but not exclusively in East and Southeast Asia, namely South Korea, China, Macao, Taiwan, Hong Kong, Indonesia, Malaysia, Pakistan, Philippines, Singapore, Thailand and India.
- The best experience of the Union and its Member States needs to be pooled in poverty alleviation strategies to focus on the population of those countries with major poverty problems, namely China, Mongolia, Cambodia, Laos, Vietnam, India, Bangladesh, Bhutan and Nepal (and Afghanistan and Burma when political conditions permit).

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Annex I

Table 1: Economic Profiles of the Countries of Asia, 1992

	Population (millions)	GNP (\$bn)	GNP per capita
I. East Asia	1,387	4,575	3,298
Japan	124	5,508	29,220
East Asia (minus Japan)	1,263	970	780
Korea	44	296	6,790
China	1,166	442	380
Taiwan	21	211	10,215
Hong Kong	6	89	15,380
Macau	0.5	3	†9,000
Mongolia	2	3	†100
North Korea	23	23	†1,064
II. Southeast Asia	453	408	901
ASEAN	325	382	1,175
Brunei	0.3	†6	†21,150
Indonesia	184	123	670
Malaysia	19	52	2,790
Philippines	64	50	770
Singapore	3	44	15,750
Thailand	58	107	1,840
Cambodia	9	†2	†200
Laos	4	1	250
Vietnam	68	†15	†220
Burma	44	†8	†188
III. South Asia	1,178	362	307
India	884	271	310
Pakistan	119	50	410
Sri Lanka	17	10	540
Nepal	20	3	170
Bangladesh	113	25	220
Maldives	0.2	0.1	500
Bhutan	1.5	0.3	180
Afghanistan	22	†2.4	†150

Source: *World Bank Atlas, 1994*, Washington, 1994. Note: Figures marked with † are for 1991 (Source: *Asian Development Outlook 1993*; CRONOS estimates).

Table 2: Trade Structures of Asian Countries

The changing pattern of merchandise exports is a useful indicator of the economic changes taking place in a country. The following table gives one view of how each Asian country's exports fitted, or can be expected in the future to fit, one of 4 profiles:

- I. Developing country (raw materials exports still predominant, but manufactured goods other than machinery rising in importance);
- II. Near Newly Industrialising Economy (Near NIE) (manufactured goods (typically textiles & garments and electronics) other than machinery, have become more important than primary commodity exports, but machinery takes only a small share of exports);
- III. Newly Industrialising Economy (NIE) (machinery exports have overtaken primary commodity exports; other manufactured goods exports are already declining in importance);
- IV. Developed, industrialised Economy (machinery exports, or knowledge intensive exports, are predominant while exports of other manufactured goods or primary commodities have sunk to relative insignificance).

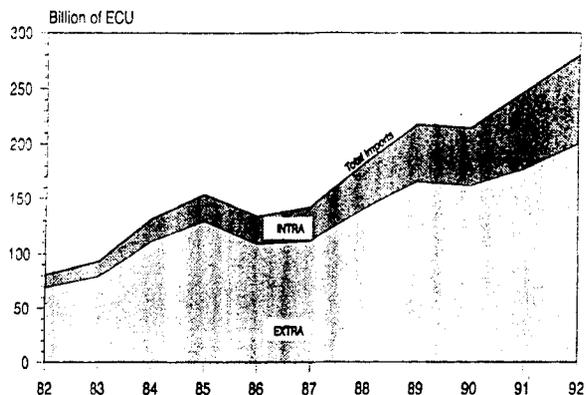
**Trade Structures of Asian Countries
at Four Stages of Economic Development, 1965-2000**

	<i>I. Developing</i>	<i>II. Near NIE</i>	<i>III. NIE</i>	<i>IV. Developed</i>
I. East Asia				
Japan			1965---->	1990
Korea (ROK)		1965---->	1990---->	2000
China	1965---->	1990-2000		
Chinese Taiwan	1965---->	---->	---->	1990-2000
Hong Kong			1965-90-2000	
Macao		1965---->	1990---->2000	
Mongolia	1965-90-2000			
North Korea	1965-90---->	---->2000		
II. Southeast Asia				
ASEAN				
Brunei		1965---->	1990---->2000	
Indonesia	1965-90-2000			
Malaysia	1965---->1990	---->2000		
Philippines	1965---->	1990-2000		
Singapore			1965---->	1990-2000
Thailand	1965---->1990	---->	2000	
Cambodia	1965-90-2000			
Laos	1965-90-2000			
Vietnam	1965-90---->	---->2000		
Burma	1965-90-2000			
III. South Asia				
India	1965---->	---->1990	---->2000	
Pakistan	1965---->	---->1990	---->2000	
Sri Lanka	1965-90-2000			
Nepal	1965-90-2000			
Bangladesh	1965-90-2000			
Maldives				
Bhutan	1965-90-2000			
Afghanistan	1965-90-2000			

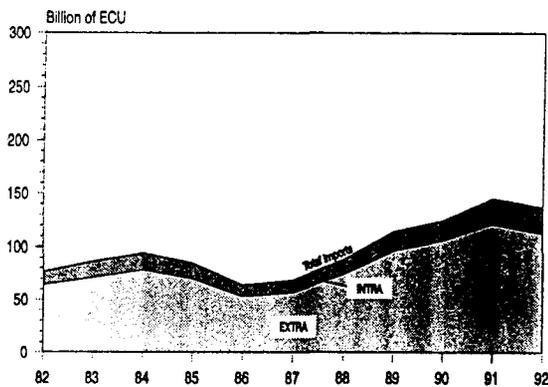
Source: Based on Nomura Sôgô Kenkyûjo, *Ajia no hatten to risku*, Tokyo, 1993.

II.1 Merchandise imports of East, South-East and South Asia

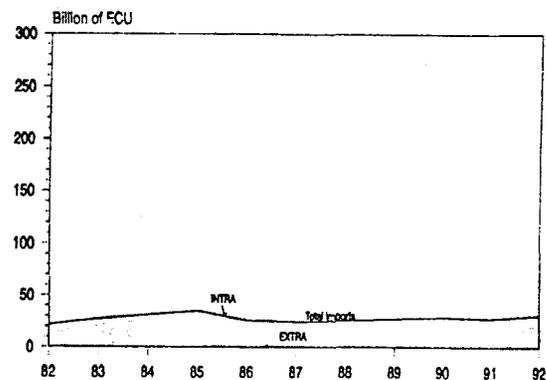
EAST ASIA (*)



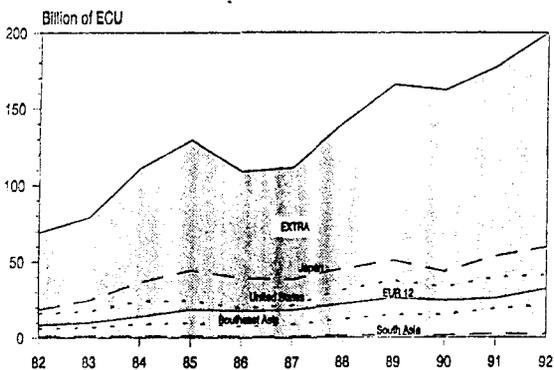
SOUTHEAST ASIA



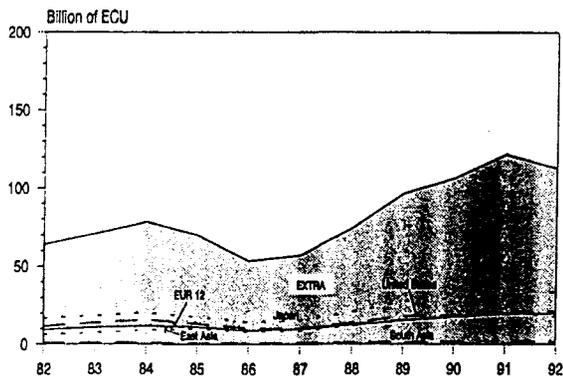
SOUTH ASIA



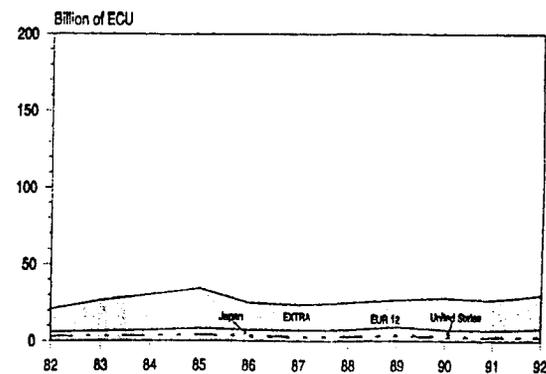
EAST ASIA (*)



SOUTHEAST ASIA



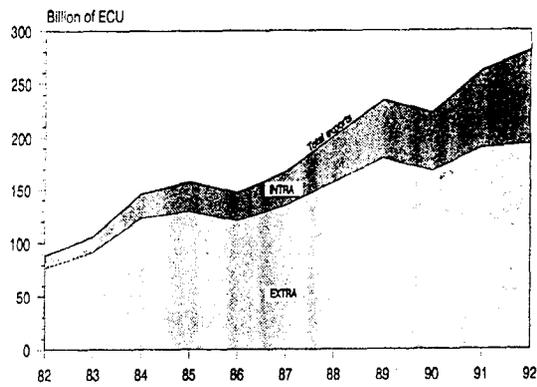
SOUTH ASIA



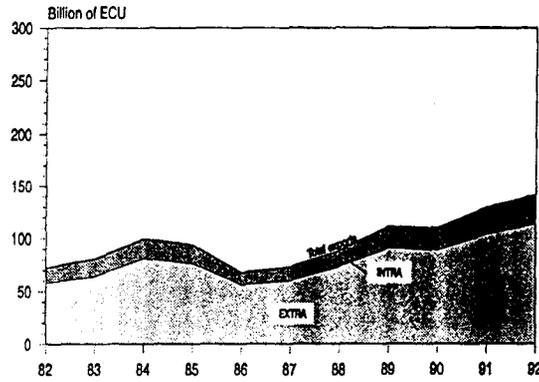
(*) Japan Excluded

II.2 Merchandise exports of East, South-East and South Asia

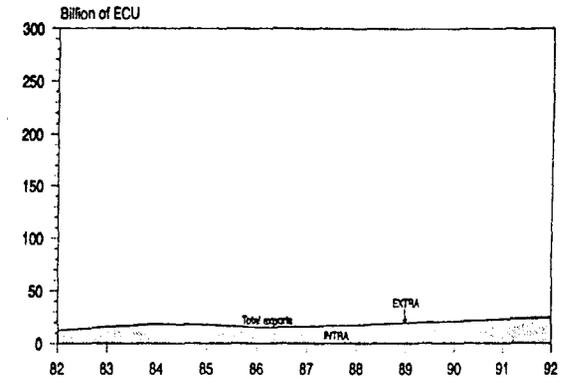
EAST ASIA (*)



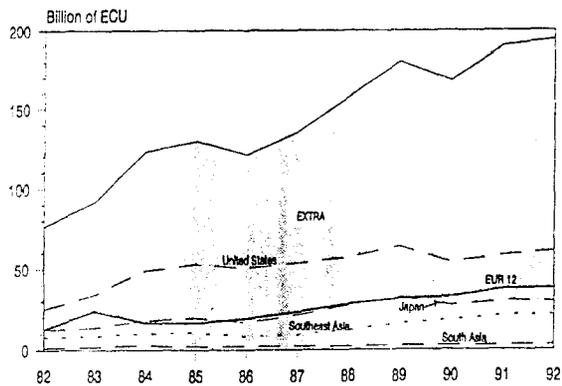
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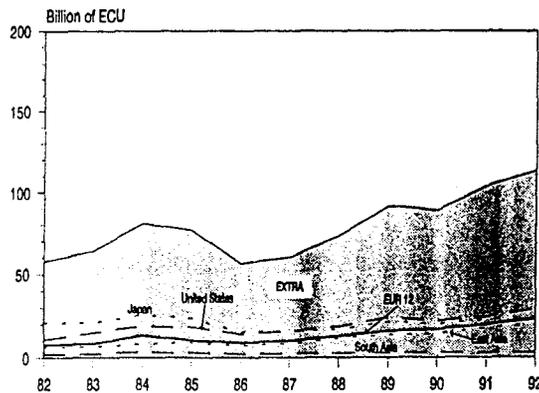
SOUTH ASIA



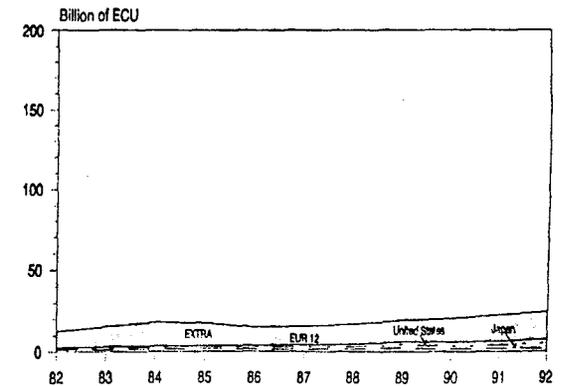
EAST ASIA (*)



SOUTHEAST ASIA



SOUTH ASIA



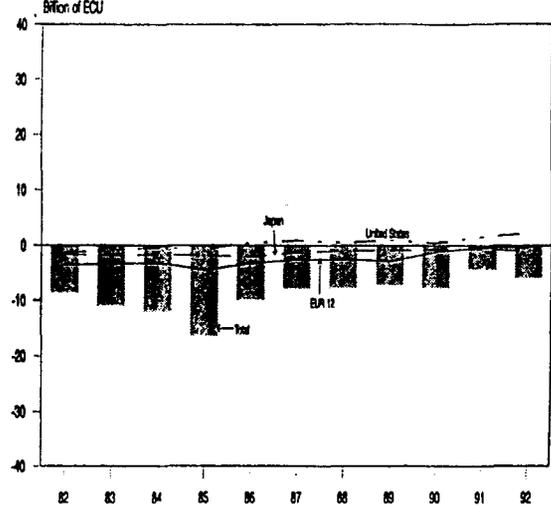
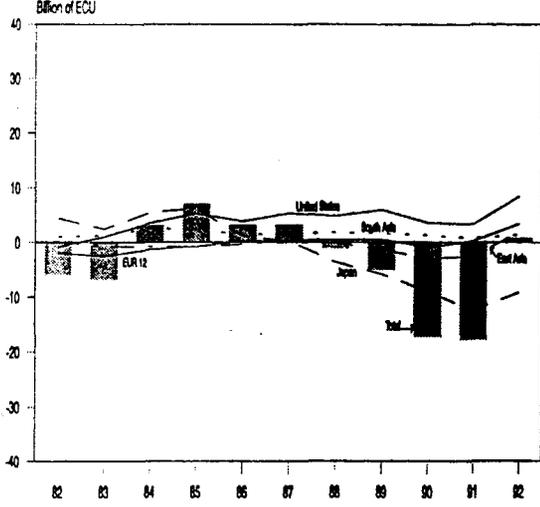
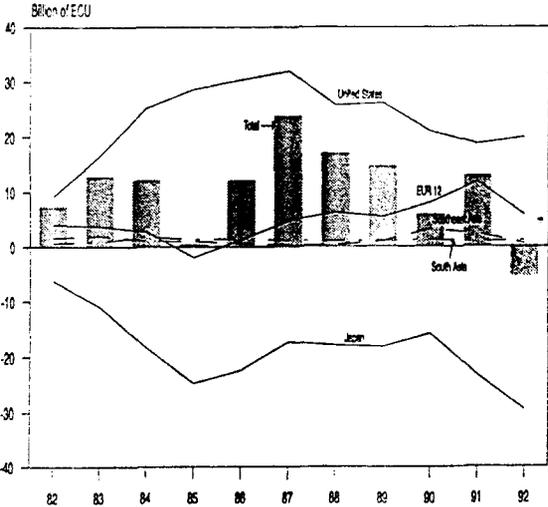
(*) Japan Excluded

II.3 Merchandise balance of East, South-East and South Asia

East Asia (*)

Southeast Asia

South Asia



*) Japan Excluded

Annex III

Table 1: The European Union's Co-operation and Other Agreements with the Countries of Asia (and Date of Establishment of EU Delegations in Asian Countries)

	<i>Framework Trade and/or Co-operation Agreements; Declarations etc.</i>	<i>Sectoral Trade Agreements</i>	<i>Date of Establishment of Delegation</i>
I. East Asia			
Japan	Joint Declaration (91)	Fusion (89) Environment(89)	1974
Korea (ROK)		Textiles (87)	1989
China	Trade (78); Trade and Co-operation (84)	Textiles (89)	1988
Taiwan			
Hong Kong		Textiles (86)	1993*
Macao	1993	Textiles (87)	
Mongolia	1993		
North Korea			
II. Southeast Asia			
ASEAN	1980		
Brunei			
Indonesia		Tapioca (82) Textiles (87)	1988**
Malaysia		Textiles (87)	
Philippines		Textiles (87)	1990
Singapore		Textiles (87)	
Thailand		Tapioca (82) Textiles (87)	1978
Cambodia			
Laos			
Vietnam		Textiles (93)	
Burma			
III. South Asia			
India	1973/82/94	Sugar Cane (75) Textiles (87)	1982
Pakistan	1986	Textiles (87)	1988
Sri Lanka	1975/1994	Textiles (87) Coconut (75)	
Nepal	1994-5		
Bangladesh	1976	Textiles (87)	1989
Maldives			
Bhutan			
Afghanistan			

*Office; **Representation

corrigendum issued 27.07.1994

**Table 2: The European Union's Trade with the Countries of Asia
(1993)**

Unit = Million ECU

	<i>Total Trade</i>	<i>Exports</i>	<i>Imports</i>	<i>Balance</i>
I. EAST ASIA	153,046	60,514	92,532	-32,018
East Asia (not incl. Japan)	82,823	37,941	44,882	-6,941
Japan	70,223	22,573	47,650	-25,077
Korea	15,287	7,552	7,735	-183
China	30,840	11,302	19,538	-8,236
Taiwan	17,971	7,573	10,398	-2,825
Hong Kong	17,889	11,299	6,590	4,709
Macao	579	61	518	-457
Mongolia	36	13	23	-10
North Korea	221	141	80	61
II. SOUTHEAST ASIA	49,868	23,524	26,344	-2,820
ASEAN	48,588	22,920	25,668	-2,748
Brunei	985	588	397	191
Indonesia	9,102	4,067	5,035	-968
Malaysia	10,232	3,985	6,247	-2,262
Philippines	3,616	1,730	1,886	-156
Singapore	14,020	7,593	6,427	1,166
Thailand	10,633	4,958	5,675	-717
Cambodia	61	26	35	-9
Laos	50	11	39	-28
Vietnam	1,030	486	544	-58
Burma	139	80	59	21
III. SOUTH ASIA	18,810	9,376	9,434	-58
India	12,112	6,230	5,882	348
Pakistan	3,706	2,028	1,678	350
Sri Lanka	1,296	566	730	-164
Nepal	240	47	193	-146
Bangladesh	1,336	433	903	-470
Maldives	34	18	16	2
Bhutan	7	5	2	3
Afghanistan	79	49	30	19
GRAND TOTAL	221,724	93,414	128,310	-34,896
USA	170,336	84,060	86,276	-2,216
Latin America	45,499	23,558	21,941	1,617
East Europe	80,626	41,899	38,727	3,172

source : Eurostat

Table 3: The European Union, Japan and US ODA to the Developing Countries of Asia (1976-1991)

	<i>EU member states ODA to Asia</i>	<i>EU ODA (administered by the Commission)</i>	<i>Total EU ODA to Asia (Commission plus member states)</i>	<i>Japan's ODA to Asia</i>	<i>US ODA to Asia</i>
I. East Asia	2,869.9	191.7	3,061.6	6,077.3	65
China	2,493.0	190.7	2,683.7	5,394.6	0
Korea	376.9	1.0	377.9	682.7	65
II. Southeast Asia	8,080.3	544.6	8,624.9	19,506.4	3,876
ASEAN	6,650.5	320.4	6,970.9	17,271.7	3,774
Indonesia	4,281.5	100.1	4,381.6	7,243.9	1,212
Malaysia	421.3	6.4	427.7	1,845.6	19
Philippines	606.5	71.0	677.5	1,112.1	1,210
Singapore	121.2	0.9	122.1	125.8	9
Thailand	1,020.0	142.0	1162.0	3,974.3	333
Cambodia	111.4	65.3	176.7	122.7	22
Laos	97.2	14.5	111.7	1,112.2	0
Vietnam	528.4	114.2	642.6	1,112.5	10
Burma	692.8	30.2	723.0	1,967.4	70
III. South Asia	15,644.7	2,307.1	17,951.8	9,695.7	6,682
India	7,168.8	1,217.3	8,386.1	2,396.4	1,084
Pakistan	2,235.0	177.7	2,412.7	1,298.9	2,043
Sri Lanka	1,491.3	149.1	1,640.4	1,547.4	840
Nepal	805.2	35.5	838.7	704.2	335
Bangladesh	3,821.5	707.7	4,529.2	3,134.4	1,228
Afghanistan	122.9	21.8	144.7	74.4	252
GRAND TOTALS	26,594.9	3,043.4	29,638.3	35,279.4	10,623

Unit = \$ million. Source: OECD