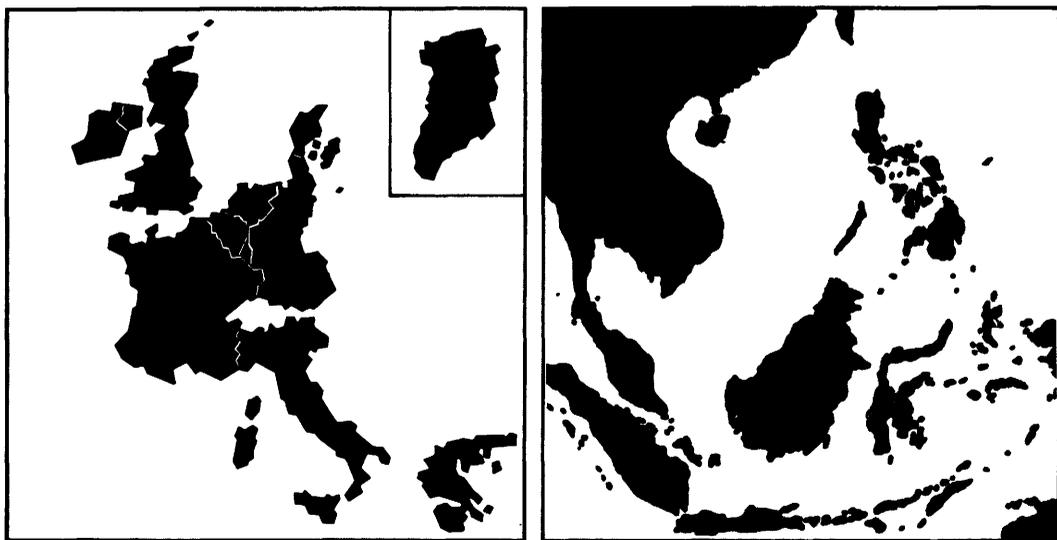


ASEAN AND THE EUROPEAN COMMUNITY



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ASEAN, A NEW ECONOMIC POWER

Throughout the 1970s government and business circles in the European Community were left in no doubt about the emergence on to the world scene of a significant new economic power, as year after year the ASEAN countries achieved growth rates that surpassed not only those of the Community itself but even the highest rates recorded in any area of comparable size elsewhere in the world. The main purpose of this publication is to outline how the Community, as a regional authority, reacted to the increasing political cohesion and economic success of another regional grouping, the countries of which, though geographically distant, have close historic links with many of the West-European countries and share their democratic ideals and free-enterprise values.

Where free enterprise is the prevailing philosophy, the real worth of a relationship is perhaps better assessed by what the entrepreneurs actually do than by what governments tell them they ought to be doing. While there was justified enthusiasm for ASEAN on the official level in the Community, the statistics suggest that in the 1970s European business was somewhat less eager, was in fact a little slow in seizing the opportunities created by ASEAN's rapid growth for intensifying economic relations to mutual advantage.

Not that trade between the Community and ASEAN stagnated. Indeed, as the following figures show, it expanded quite vigorously:

(in millions of US dollars)

	1973	1980	Annual growth rate
EC imports from ASEAN	2186	9723	23.8%
EC exports to ASEAN	2037	7497	20.4%

But the fact is that ASEAN's other trade partners were even more active and, as a result, the Community's share of ASEAN's total trade fell significantly over this period: the share it took of ASEAN's exports fell from 15.7% in 1973 to 15% in 1979, while its contribution to ASEAN's imports dropped more sharply, from 16.5% to 12.8% in the same period. Japan is now ASEAN's principal trade partner with 25% of its trade, followed by the United States with about 17%. (see Appendix: Table I, II and III)

If we look at ASEAN's role in the Community's external trade, we find that it accounts for only 2.4% of it, as compared with 5.3% for Latin America and 3.9% for the 60 African, Caribbean and Pacific countries linked with the Community under the Lomé Convention. This disparity is all the more striking when one recalls that ASEAN's population, at 250 million, is not all that much less than Latin America's or the ACP's (about 300 million each), whereas its natural resource endowments are probably greater and its growth is more rapid.

Community entrepreneurs seem to be somewhat hesitant as investors also, unless there has been a radical change for the better since 1977, the most recent year for which estimates of foreign private investment in the ASEAN countries are available. By the end of that year Japan's share of the cumulative total of foreign investment in the ASEAN countries came to over 32%, as compared with the United States' 16% and the EC's 14%. (see Appendix: Table IV)

The regional and national authorities on both sides have missed no opportunity to proclaim their interest in promoting closer economic links between ASEAN and the European Community and, in particular, encouraging greater participation by European enterprise in the development of the ASEAN economies. They have, in addition, set up the necessary inter-regional framework for a regular dialogue between the two groupings at

the parliamentary, ministerial and official levels and covering the whole range of political, economic and science & technology issues. Official prompting has contributed to the creation of links between the organised business interests of the two sides and their development bankers respectively, so that they can meet regularly to discuss specific collaboration projects and how they can be financed.



THE EVOLUTION OF THE COMMUNITY'S RELATIONS WITH ASEAN

Unlike the bilateral links between individual countries in Western Europe and in South-East Asia, which go back into the mists of history, the origins of inter-regional relations between the European Community and the Association of South-East Asian Nations can be dated precisely. They started in 1972, when the Ministers of Trade of the ASEAN countries formed the Special Coordinating Committee of ASEAN Nations (SCCAN) and prompted the establishment of the ASEAN Brussels Committee (ABC) comprising the ASEAN countries' Ambassadors to the Community. In those days the main concern was trade — the phasing-out of Commonwealth preferences after the United Kingdom's accession to the EC seemed likely to cause problems for some

ASEAN countries. These were eventually forestalled or solved — mainly through the Community's Generalized Scheme of Preferences — but in the meantime several high-level region-to-region visits had been exchanged and both sides had decided that it would be useful to keep the inter-regional dialogue in being. It was a decision that was to prove fruitful both institutionally and in terms of economic and political cooperation.

The first result was the establishment of a Joint Study Group between the ASEAN governments on the one hand and the Commission of the EC, acting on its own initiative and authority, on the other. The JSG was an informal body, which lacked the strong organisational structure invariably given in the Community to committees which are founded squarely on the Treaties or on an international agreement. Yet, given that its purpose was to explore all possible areas of

cooperation, it was perhaps an advantage that the JSG was allowed a long leash, since flexibility and initiative (rather close supervision, however well-meant) are what explorers need most.

The Joint Study Group was the pioneer of ASEAN-EC relations from its inception in Brussels in June 1975 until its fifth and final meeting in April 1979. Details of its activities are given later. Suffice it to say here that its existence encouraged the ASEAN countries, particularly after the Bali Summit in 1976, to broaden their contacts both with the Community institutions and with the Member States. In November 1977 the ABC began regular meetings with the Committee of Permanent Representatives, which consists of the Member States' ambassadors in Brussels and acts as the working-level of the Community's

Council of Ministers. As a result of a proposal put forward by the Federal German Foreign Minister, Mr. Hans-Dietrich Genscher, and supported by Mr. Wilhelm Haferkamp, Commission Vice-President in charge of external relations when he paid his first official visit to ASEAN late in 1977, the ambassador-level dialogue led to a series of meetings between the foreign ministers of the member countries of the two regional groupings. At the first of these, in Brussels in November 1978, it was agreed to examine the possibility of concluding a formal agreement between the Community and the ASEAN countries. Negotiations for this opened in November 1979 and the "Cooperation Agreement between the European Community and the member countries of ASEAN" was signed at the second ministerial meeting, in Kuala Lumpur on 7 March 1980.

THE COOPERATION AGREEMENT: COLLABORATION IN THE TRADE, ECONOMIC AND DEVELOPMENT FIELDS

To summarize it very briefly, the Agreement provides for:

- commercial cooperation (the parties agree to: study the possibility of removing trade barriers; take into account their respective needs for improved access; create new trade patterns by bringing together economic operators; recommend trade promotion measures; and consult on measures likely to affect trade);
- economic cooperation (e.g. encouraging closer contacts and industrial, scientific and technological cooperation between the two regions);
- development cooperation (support for ASEAN development and regional cooperation from relevant Community aid programmes, in coordination with those of the member states; promotion of cooperation between sources of finance in the two regions);
- a Joint Cooperation Committee, which meets at least once a year to initiate, promote and review cooperation activities and to provide a forum for consultations between the parties.

Many of the possibilities of cooperation explored, and in certain cases embarked on, by the informal Joint Study Group in the second half of the 1970s remained prominent on the agenda of the Joint Cooperation Committee from its inaugural meeting in Manila in November 1980 onwards. It will therefore perhaps be clearer to deal with the activities of the two groups as a continuous programme in each sphere of cooperation.

Trade cooperation

As developing countries with rapidly expanding industrial capabilities, the ASEAN countries have a particular interest in the Community's Generalized Scheme of Preferences, which provides preferential access into the EC market for all kinds of industrial manufactures (duty-free) and many processed agricultural products (reduced rates of duty). The GSP is, in accordance with the UNCTAD decision establishing it, an autonomous arrangement, and its provisions are therefore not negotiated with beneficiary countries. The Community has however, in its regular contacts with the ASEAN representatives, invited suggestions as to how the scheme might be improved, and has over the years put many of these into effect. As well as adding specific agricultural products to the list of preferences (e.g. shellfish, coconut oil, palm oil, preserved pineapples, pepper and spices), the Community has also made a number of changes to the criteria of the scheme to facilitate Singapore's entrepôt trade and to encourage industrial integration in ASEAN (the principle of cumulative origin).

The five ASEAN countries are now, if taken together, by far the largest beneficiary of the Community's GSP, accounting for over 20% of total EC imports under the scheme. For this good performance, some credit may perhaps be attributed to the annual seminars which the Commission of the EC runs in the ASEAN capitals, to acquaint exporters and trade authorities alike of the scheme's objectives and procedures.

Trade promotion

In addition to providing liberal import facilities for ASEAN products, the Community sponsors a trade promotion programme for the ASEAN countries. The activities include ASEAN exporters' mis-

sions to Europe and other markets, European buyers' missions to ASEAN, subsidised participation in international trade fairs, export workshops, support for ASEAN trade offices in Europe and the provision of expertise to develop export capability, design, packaging etc. With the addition to the programme of *regional* operations (i.e. on behalf of ASEAN as a region rather than of its individual member countries), the funds allocated to this programme have been increased substantially in 1981 to US\$2.2 million.

Commodities

As a major commodity producer, ASEAN is naturally concerned about the progress of negotiations in UNCTAD on the Common Fund and the Integrated Programme. The ASEAN countries have also shown considerable interest in the scheme for stabilising export earnings (STABEX) developed by the Community to help the ACP countries, its partners in the Lomé Convention. The ASEAN countries would like some such arrangement for their own commodity exports. At the first ministerial meeting in 1978 the Community recognised the importance of ASEAN as a major supplier of many key commodities and expressed its willingness to examine, within a global scheme involving all the industrialized countries, what possibilities there were for guaranteeing the stabilization of export earnings of developing countries, including ASEAN, as a complement to other measures. It should be borne in mind that the ASEAN countries have a more diversified economic structure than the ACP countries and that, unlike the ACP countries, they do not rely almost entirely on the Community market as an outlet for their exports.

Textiles

Bilateral agreements on trade in textiles were negotiated by the Community with

the five ASEAN countries at the end of 1977 in the framework of the Multifibres Agreement (MFA). Under these agreements, which cover the period 1978-1982, the ASEAN countries agree to limit their exports of the more sensitive categories of textiles to levels specified in the agreements, and to introduce export restraint for other categories at the request of the Community in the event of their sales reaching a certain percentage of total Community imports. These agreements have allowed the ASEAN countries moderately to increase their exports of textile products to the Community.

Economic cooperation

It is in the area of investment and industrial cooperation that the most significant initiatives have thus far been taken, reflecting ASEAN's preoccupation with the under-representation of European industry in the region in comparison with Japan and the United States, and the European Commission's concern at the relative lack of European investment in the raw materials sector so vital to the Community economy.

Industrial cooperation has been stimulated above all by two ASEAN-EEC Conferences on Industrial Cooperation held at Brussels in April 1977 and Jakarta in February 1979. The first conference allowed ASEAN for the first time to present the investment potential of the ASEAN region as a whole to a high-level audience of European industrialists and bankers. The second conference, co-sponsored by ASEAN, the European Commission and four European banking consortia, brought together some 800 leading businessmen, bankers and officials from the two regions. About one-third of the industrial companies and more than half of the banks were represented by their chief executives.

Taken together, the European presence comprised probably the strongest business delegation yet to travel from Europe anywhere in the world. The conference dealt with eight principal sectors:

- chemical industries;
- electric industries;
- machinery/metal engineering industries;
- industrial processing of agricultural products;
- timber and timber-based industries;
- precision engineering;
- transport and communications equipment manufacturing; and
- plantation crops for export.

It pointed the way to further European investment in the ASEAN countries, particularly in those industries which are labour-intensive, which rely on ASEAN raw materials and which will raise the technological capabilities of the ASEAN region.

Since that time, there have been contacts between the Chambers of Commerce and Industry of the European Community and the ASEAN-CCI with a view to creating an ASEAN-EEC Business Council. This Business Council, modelled on those already existing between ASEAN and the United States, Japan and Australia respectively, will periodically bring together industrialists from the two regions in order to encourage the development of trade and investments in the two groups of countries. It will be a forum for raising problems encountered by industrialists seeking to invest in one or the other region. The Business Council will also organize various sectoral industrial conferences, which will build on the contacts already established during the two preceding general industrial conferences.

At a meeting in Bangkok in September 1981, the newly-established ASEAN Fi-

nance Corporation (AFC) and INTER-ACT (the liaison group of the public development-finance corporations of the EC Member States) agreed to set up a joint committee to assist in raising the capital needed for ASEAN development projects, particularly in the industrial field.

Since 1977, the Community has financed five technology-transfer seminars, one in each of the ASEAN countries and aimed at businessmen and officials from the region. Now a multi-disciplinary programme of cooperation in science and technology has been set up with the ASEAN countries, under which, starting from September 1981, scholarships will be granted and seminars organized for the benefit of ASEAN countries. In its first two years this programme will cost about US\$3 million.

Development cooperation

In the framework of its programmes of aid to non-associated developing countries, the Community is already committed to ASEAN development. The new Agreement however contains — for the first time in any agreement concluded by the Community with non-associated countries — a development article in which the Community pledges itself to cooperate with ASEAN in order to contribute to the region's self-reliance, economic resilience and social wellbeing. It will work with ASEAN in concrete projects and programmes to improve food production and supplies, rural development, education and training facilities.

On this basis, the Community has expanded its actions of development cooperation with the ASEAN countries, both individually and, with increasing emphasis, at the regional level. Community aid takes various forms: financial and technical assistance, training, food aid (also trade promotion).

Financial and technical assistance

Under its budget in favour of non-associated countries, the Community finances agricultural or rural development projects in the three ASEAN countries which are eligible for such aid (Indonesia, The Philippines and Thailand). This aid, which is given entirely in grant form, has increased constantly since its inception in 1976. ASEAN countries receive about 20% of the global aid granted to all non-associated countries under this programme. (see Appendix: Table V).

Training

By granting scholarships and organizing seminars, the Community contributes to the training of ASEAN nationals. In this context, it financed in 1981 a seminar on access to the European capital market and a training course on mechanization in agriculture.

Food aid

Since 1977 the Community has regularly granted food aid to certain ASEAN countries, especially to meet emergency needs. In 1981 it gave 1350 tons of milk powder and 5000 tons of cereals to Indonesia, and 1000 tons of milk-powder and 100 tons of butteroil to The Philippines.

POLITICAL RELATIONS

Political relations between the Community and ASEAN have been considerably strengthened since 1978. Between November 1978 and October 1981, three Conferences were held between the Foreign Ministers of the Member States of the Community and those of ASEAN. While the first of these, at Brussels in November 1978, gave only a limited place to political problems, the second ministerial meeting at Kuala Lumpur in March 1980 devoted a large part of the discussions to these problems and revealed a total identity of views between the two groups of countries on the vital issues of Kampuchea and Afghanistan.

The third Conference of this kind, essentially political in character, was held at London on 13 and 14 October 1981, and thus confirmed the principle now established of regular consultations at the highest level between the two groups of countries.

In addition, the Community has been invited by ASEAN to participate in the dialogue which it organises each year

with its principal partners in the Pacific (United States, Japan, Canada, Australia and New Zealand). The then President of the Council of the Community, Mr. van der Klaauw, and the Vice-President of the Commission, Mr. Haferkamp, represented the Community at this meeting held at Manila on 19 and 20 June 1981.

Finally, the Community and its Member States have supported the ASEAN countries in the Kampuchea crisis, not only by backing their initiatives for a solution of this crisis, but also by supplying 40% of the total of international aid for the refugees.

Parliamentary relations

Parliamentary links between the two regional groupings have been developed in parallel with the general evolution of their relations. Two meetings have already been held between the elected European Parliament and the Interparliamentary Association of the ASEAN countries, one at Strasbourg in 1979 and the other at Jakarta in April 1981 — and these contacts are now to be established on a regular basis.

APPENDIX

Table I
ASEAN's trading pattern, 1979

[million US\$]

	Export	%	Import	%
World	49,939	100	46,448	100
of which USA	8,844	17.7	7,474	16.1
Japan	13,527	27.0	10,256	22.1
EEC	7,506	15.0	5,951	12.8
USSR	583	1.1	65	0.14
China	460	0.9	1,083	2.3
Australia	972	1.9	1,437	3.0
ASEAN	8,210	16.4	6,184	13.3

Table II
Evolution of Community trade with ASEAN, 1973-1980

[million US\$]

	1973	1975	1977	1979	1980
EC imports	2,189	2,728	4,713	7,506	9,723
EC exports	2,074	3,191	4,029	5,951	7,497
Trade balance	- 115	+ 463	- 684	-1,555	-2,226

(+ denotes EC surplus; — denotes EC deficit)

Table III
Main Community imports from ASEAN, 1980

	Value (million US\$)	% of total imports
Sawn timber	846	8.7
Natural rubber	921	9.5
Manioc	768	7.9
Machinery & electrical eqpt.	907	9.3
Tin	601	6.2
Clothing	547	5.6
Palm oil	321	3.3
Coffee	233	2.4
Animal feedingstuffs	290	3.0
Copra	189	2.0
Plywood	210	2.2
Textiles (fibres and fabrics)	209	2.2
Oil and oilproducts	309	3.2
		65.5

Table IV
Pattern of foreign private investment in ASEAN

[cumulative to end-1977]

	Indonesia	Malaysia	Philippines	Singapore	Thailand
	%	%	%	%	%
EEC	9.0	18.0	11.0	32.0	13.0
USA	11.0	15.0	33.0	33.0	16.0
Japan	37.0	27.0	25.0	15.0	35.0
Australia	3.0	2.0	5.0	n.a.	1.0
Hong Kong	11.0	10.0	1.0	n.a.	10.0
Others	29.0	28.0	25.0	20.0	25.0

Table V
EEC projects in ASEAN member countries under the Community's
programme of development cooperation with non-associated developing countries

Year	Country	Title of project	EC Contribution million US\$
1976	Indonesia	Pilot Project on Integrated Soyabean Production	1.1
	Indonesia	Bali Irrigation (Study) ^c	0.1
	Philippines	Mindanao Irrigation (Study) ^c	0.2
1977	Indonesia	S. E. Sulawesi Transmigration ^a	2.3
	Thailand	Pig Breeding Promotion Centre	0.1
	Thailand	Inland Fisheries ^b	1.0
1978	Indonesia	S. E. Sulawesi Transmigration ^a	3.8
	Indonesia	Consulting Services to KIK/KMKP Small business credit programme (Technical assistance)	3.0
	Indonesia	Strengthening Dairy-cattle breeding Centre (Baturaden)	0.2
	ASEAN	Regional Research and Training Centre (Timber industry)	0.4
	ASEAN	Post-harvest Grain Research and Training Centre	0.4
	Thailand	Seed Production Centre (Study)	0.1
	Thailand	Crop Diversification and Soyabean Production Study	0.3
1979	Indonesia	Talungagung Flood Control and Drainage Project (Java)	8.4
	Indonesia	Pilot Project for Agricultural Development, Sumatra	4.1
	Thailand	Winged Bean Crop Development	0.8
	Thailand	Rubber Smallholdings Yield Improvement	2.5
	Thailand	Pump Irrigation in Pa Mong Stage I Area (Study) ^d	1.0
	Thailand	Preliminary Crop Development in the N.E. Region	3.6
	Philippines	Bicol River Basin Development ^a	6.2
	ASEAN	Rural Aquaculture Study	0.4
1980	Indonesia	Baturaden Dairy Development (Italy) ^e	6.2
	Indonesia	Lower Citanduy Irrigation ^b	5.4
	Philippines	Crop Protection Programme (FRG) ^e	4.9
	Thailand	Huai Mong Irrigation and Drainage	15.5
	Thailand	Smallholder Rubber II	2.5
	Thailand	Cooperative Training and Marketing	3.5
	Thailand	Ing-Yom-Nan Water Diversion	0.4

- a) Co-financed with ADB (Asian Development Bank);
b) Project financed through ADB;
c) Studies financed through ADB;
d) In cooperation with the Mekong Committee;
e) Co-financed with Member States.



The nervecentre of the European Community in Brussels. Centre: headquarters of the European Commission. Left: headquarters of the Council of Ministers.