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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

COMMUNITY EXHIBITION IN THE ASEAN REGION

("THE CITY IN THE YEAR 2000")

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Explanatory Memorandum

1 October 1985 marks the end of the first five years of the cooperation agreement between the Community and ASEAN, which is renewed automatically every two years. Although evaluation of the results is not yet complete, it is already clear that there has been a remarkable boom in trade between the two regions: Community exports rose by 73% between 1980 and 1984 while imports from ASEAN rose by 41%. It should be added that the growth in Community imports was slowed down somewhat in recent years by the drop in prices for most raw materials of which the ASEAN countries remain important producers and exporters.

However, this generally favourable picture from the point of view of trade masks a rather worrying phenomenon which will have consequences for the future, namely the relatively low level of European investment in the ASEAN countries. European industry's lack of commitment, despite a favourable climate for investments, contrasts with the efforts made by Japanese and American competitors to forge links with undertakings in the region. Past economic experience shows that all forms of industrial cooperation are an effective means of maintaining or boosting exports. The reluctance of business in the Community to invest in the ASEAN region is therefore jeopardizing in the medium-term the volume of Community exports on markets which, experts are unanimous in agreeing, must be considered as the most promising between now and the end of the century.

There is no miraculous solution for reversing this trend. Efforts to promote investments, notably by means of investment seminars, must continue and be multiplied with special efforts to improve both general and economic information on these countries and promote business contacts. In addition, a project should be devised which goes beyond these routine activities and serves a double objective: awakening the interest of European industries and services by stimulating a desire to play a full part in the ASEAN countries' economic boom and showing business and political circles in the ASEAN countries what technological potential Europe has in certain sectors and how this can play a key role in the region's future social and economic development. One way of achieving this is to organize a major European exhibition or series of exhibitions in the ASEAN regions on the theme "The city in the year 2000".

To obtain the active support of all the interested parties and show the exceptional nature of the action from the very outset, the project should figure large in discussions of ministers responsible for economic affairs from the Community and the ASEAN countries when they meet in Bangkok on 17 and 18 October.



COMMUNITY EXHIBITION IN THE ASEAN REGION

1. Introduction

It is generally agreed that South East Asia, and the ASEAN group of countries in particular (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Brunei), is the fastest growing and most promising region in the world from the point of view of economic development. Average growth since 1970 has been 7.8%. By the end of the century the ASEAN group will have a total population of some 380 million.

It is recognized that these countries are no longer content to import their goods from abroad. They are trying to substitute imports with domestic products. Therefore, to benefit from the region's prosperity, there is a pressing need to be present on the market to invest and make cooperation agreements with local firms.

This has been understood by the Japanese and, it seems, by the Americans; but an analysis of economic and trade relations between the Community and ASEAN reveals that the European economy has not taken full advantage of the region's tremendous economic boom. While the Community's main competitors, Japan and the United States, have taken a big share of the ASEAN group's markets (24% and 18% respectively), with the trend towards an increase, the Community is faced with a slow but steady erosion of its relatively weak competitive position (11%).

Europe, which had historic links with some of the ASEAN countries and a strong economic presence, is falling behind these two countries, which are the leading foreign investors in all the ASEAN countries with the exception of Malaysia and Singapore, where the Member States of the Community still hold first place.

Although there are a number of reasons for this development, some of them clearly identifiable (for example, distance), others somewhat vaguer (Europe's lack of interest in ASEAN), the upshot is a loss of Europe's credibility as a development partner for the ASEAN countries. The spectacular successes marked up by certain sectors of Japanese industry and the United States' economic revival

have made Europe appear weaker and less able to deal with the problems of the future. Too little is known about European industry's achievements over a wide range of sectors and its constant efforts to rise to the challenge of the technologies of tomorrow, or at least they are not given their due recognition by ASEAN politicians and businessmen.

Europe's relative decline in these countries from the point of view of exports, investments and local esteem is a serious problem in the long term. If we cannot maintain a significant and profitable economic presence in a region of the world which is enjoying a remarkable boom, shall we be able to maintain our prominent position in international trade and on the international economic scene?

To remedy this mistaken image and herald an economic comeback, imagination has to be used to show Europe's economic potential, stimulate the interest of all sections of the business community in the potential offered by the ASEAN countries and also the interest of the ASEAN countries in Europe's achievements and potential.

The Member States are worried by this situation and are trying to counter the trend, as shown by the number of high-level visits to the region recently. What is needed in addition is to achieve a European dimension highlighting the potential of European industry and services to help us hold our own against American and Japanese competition. The ASEAN countries would welcome this so as to avoid committing themselves too far on the side of two countries which occasionally pose delicate problems and provoke a number of susceptibilities.

To this end, the Community should make its contribution by organising a European exhibition or a series of exhibitions in the ASEAN region combined with High Level EEC/ASEAN meetings between business circles and those responsible for political, economic and scientific matters there by encouraging a sustained European momentum of benefit to our trading position.

2. Theme of the Community action

The main purpose of such an exhibition or exhibitions would be to give a representative idea of what Community industry can offer ASEAN in specific fields. The tremendous diversity of European production means that it is a vain task to try and give a complete picture of European achievements, even taking only the most advanced sectors. Furthermore, the exhibition must cover sectors of the European economy which are undoubtedly competitive in world terms. The organization of a vast trade exhibition would require a great deal of preparation and exceed the limits of available resources. Since one of the main objectives is to help create a new image of the Community as a future economic partner, we must choose a theme which serves this purpose and limits participation. The theme proposed is:

"The city in the year 2000"

The main sectors covered would be urban transport, telecommunications, housing, the urban environment and services in the city.

These sectors or some aspects of them will certainly already be covered in socialist trade fairs or exhibitions organised regularly in the ASEAN region. However, the attraction for Community traders is its completely new dimensions. The exhibition or exhibitions would be specifically European and stands, instead of being grouped by country, will be grouped by sector (telecommunications, urban transport, etc.). Backed by the Member States and the six ASEAN countries, a wide public would be addressed on a more long-term theme.

Keeping in mind our objective, we should highlight the technological capacity of European industry. This will underline and strengthen the modern, dynamic image of firms already well-represented on the ASEAN countries' markets and show newcomers in a favourable attractive light. The aim is not merely the immediate conclusion of new contracts but the creation of a good basis for industrial cooperation which, through joint ventures, will help promote European technology and ultimately develop trade.

To increase the impact of the products on display (especially prototypes of future projects), seminars, meetings and workshops on technical and scientific subjects linked to specific sectors should be held at the same time. In this way, the exhibition or exhibitions would serve as a forum for contacts between businessmen and government representatives responsible for public investments.

Cultural activities (a week of European cinema, concerts by European orchestras, coordination of events put on by the individual Member States, etc.) could be arranged in parallel and contribute to the overall impact.

3. Site and Date

An important consideration is whether to hold a single major exhibition in one ASEAN country or whether to hold a series of exhibitions on different aspects of the central theme "City 2000" in each or several of the ASEAN countries. An integral part of the proposal is the organisation of associated encounters between European economic operators and potential purchasers in ASEAN whether they be businessmen or central and local government representatives. If the latter approach were chosen instead of a single major exhibition a series of smaller exhibitions could be organised over a 12-18 month period in different ASEAN capitals focussed on one of the sectors which together comprise the overall theme.

We would hope to obtain support for whichever of these options from the ASEAN governments and to this end agreement on the proposal at the meeting of EEC/ASEAN ministers responsible for economic affairs in October 1985 would get the operation off to a good start.

4. Remarks on organisation and financing

It is not possible to go into the practical details of the organisation and its cost at this stage.

A consultant has been contracted to carry out a study and the results will be communicated on its completion (this July).

The purpose of the study is to assess the precise nature of the action, the cost of the operation for the Community, working on the presumption that firms will naturally have to contribute to the operation and that the Community would confine itself to the hiring and preparation of the premises and organisation of the associated industrial and commercial contacts.

The study will also present an organisation plan involving close cooperation with national export promotion bodies.

It will also verify the aptness of the theme and specify the most promising branches of industry.

Conclusions

The Commission believes that the holding of a European exhibition or a series of exhibitions in the ASEAN region centred on a specific theme is an act of political and economic importance which will strengthen and reaffirm Europe's presence in this region. It recommends that the Council approve this initiative designed to help the Community achieve a greater economic impact in a region of accelerating growth and prosperity so that joint agreement can be reached when EEC-ASEAN economic ministers meet in October 1985.