

## ASEAN

=====

Since its creation in 1967 and particularly since the Bali Summit in February 1976, the ASEAN group of countries (Malaysia, Singapore, Indonesia and Thailand) have established an intensive network of cooperation in the economic, commercial, social and cultural fields, and they are rapidly becoming an important political factor in the South-East Asian region as well. With certain exceptions, the Community does not have a traditional special relationship with the developing countries of S.E. Asia like it has with the developing countries of the Lome Convention and the Mediterranean basin, but there is a growing desire for closer relations with the ASEAN countries as a group. The Community appreciates the role of ASEAN as a factor for peace and stability in South-East Asia. There is a growing awareness of the value of promoting trade with, and investment in, one of the fastest growing regions in the world which also happens to be a major source of raw materials. On their side, the ASEAN countries have actively sought an increased European interest, not only for the economic advantage but also as a factor of balance within South-East Asia.

#### The development of ASEAN-EC Relations

-----

The first move to bring about closer relations between the two organisations came from the ASEAN side and was the result of fears about the effect on some of their countries' export trade of the loss of Commonwealth preference on the UK market following British accession to the Community. In June 1972 the ASEAN countries set up a Special Coordination Committee of ASEAN Nations (SCCAN) consisting of the ministers of trade and the ASEAN Brussels Committee (ABC) composed of the ASEAN Ambassadors to the Community. An ASEAN delegation under the Indonesian Trade Minister visited Brussels to establish contact with the Commission which welcomed this approach.

Since 1972 a regular dialogue has been maintained between the Commission and the ASEAN countries. Sir Christopher Soames, then Commission Vice-President responsible for external relations, twice visited the ASEAN region and took part in SCCAN meetings in Bangkok in September 1973 and in Jakarta in September 1974. It was agreed to set up a Joint Study Group (JSG) composed of representatives of the Commission and of the five ASEAN Governments. The JSG met for the first time in Brussels in June 1975, and subsequently in Manila (December 1976), in Brussels (October 1977) and Bangkok (May 1978). Its discussions have ranged from the improvement of the Community's GSP and international commodity problems to the transfer of technology and industrial cooperation and investment.

./.

2.

Following the 1976 Bali Summit the ASEAN countries sought to broaden their contacts with the Community institutions in general and with representatives of the Member States in particular. It was accordingly decided to institute a dialogue at ambassadorial level between the ASEAN Brussels Committee on the one hand and the Committee of Permanent Representatives (COREPER) and representatives of the Commission on the other. The first such meeting took place in November 1977, and was extremely successful. The ASEAN side took the opportunity to press for a meeting at ministerial level to complement the meeting which had taken place during 1977 with the Japanese, Australian and New Zealand Prime Ministers and with ministers from the United States. The idea of a joint ministerial meeting had already been put forward by the German Foreign Minister, Mr. Genscher, who visited the ASEAN region in Spring 1977, and was taken up again by Vice-President Haferkamp when he visited the five ASEAN countries in December 1977.

The EC-ASEAN ministerial meeting took place in Brussels in November 1978 and resulted in a Joint Declaration in which the Community recognised ASEAN as a factor of peace and stability in South-East Asia and promised its support for ASEAN's programme on regional cooperation. In order to place relations between the two groupings on a more formal footing, the two sides agreed to start exploratory talks with a view to concluding a cooperation agreement. Negotiations opened in November 1979 and were rapidly concluded. The Cooperation Agreement between the EEC and ASEAN was signed on 7 March 1980 and came into force on 1 October 1980.

The main features of this agreement which is non-preferential are:

- most favoured nation treatment according to GATT;
- commercial cooperation (the parties undertake for example to study how to remove trade barriers, to 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 and technological cooperation between firms in the two regions).
- Development cooperation (support for ASEAN development and regional cooperation through the Community's programmes for non-associated LDC's in coordination with Member States, proportion of cooperation between sources of finance in the two regions).
- A Joint Cooperation Committee to promote and keep under review the various cooperation activities and to provide a forum for consultations between the parties.

The experience of holding joint ministerial meetings has been repeated twice since 1978. The first one took place in Kuala Lumpur in March 1980 following the signing of the cooperation agreement. The most recent conference was in London in October 1981.

./.

These conferences, which are the only ones of their type for the Community, have adopted joint statements concerning the situation in South East Asia as well as statements on economic matters.

The Community takes part in the annual conference of foreign ministers of ASEAN and the USA, Canada, Japan, Australia and New Zealand. At these conferences which deal with economic and political issues the Community is represented by Vice-President Haferkamp and the President in exercise of the Council.

To promote relations between the Community and Asia, and in particular the links between the EEC and ASEAN, the European Commission established a delegation at Bangkok in September 1979.

#### Commercial and Economic cooperation

##### - Trade Cooperation

Under the Joint declaration of Intent attached to the Treaty of Accession, the enlarged Community undertook to seek appropriate solutions, essentially through its generalized system of preferences (GSP), to the trade problems which enlargement would cause the Commonwealth countries of Asia and other developing countries in the region. The primary goal of the Community's GSP is to aid the economic diversification, and notably the industrialisation of the economies of developing countries such as ASEAN, through improving the access to Community markets of manufactured and semi-manufactured goods.

Although the GSP is applied autonomously and hence not subject to negotiation, the Community has gone a long way to meet ASEAN preoccupations since the scheme was extended to the new member States in 1974, particularly through additions to the list of processed agricultural produce (e.g. various crustacea, coconut oil, preserved pineapples, palm oil, pepper and spices) as well as tobacco. Further improvements benefitting ASEAN were incorporated in the Community's tropical products offer under the Tokyo Round multilateral trade negotiations (MTN) which were implemented in 1977. In order to encourage intra-regional trade within ASEAN, the Community introduced in 1974 the principle of cumulative origin of imports from regional groupings such as ASEAN. In order to improve knowledge of the scheme among exporters and government officials in ASEAN, the Commission regularly organises regional seminars on the operation of the GSP. There has indeed been a substantial improvement in the ASEAN export performance under the scheme, particularly since 1977 when the Community imports from ASEAN under the GSP rose by 8%.

The five ASEAN countries are now, if taken together, by far the largest beneficiary of the system, accounting for over 20% of total Community imports under the GSP.

./.

- Trade promotion  
-----

In recent years, the Community has substantially improved and extended its schemes to promote exports from the ASEAN region to the Nine. These schemes include the organization of exporters' trade missions and European buyers' missions to ASEAN, participation in European fairs, on average two workshops every year, the provision of experts in various fields, the offer of trade centres and aid for publicity programmes. Important increases in spending on these programmes were registered since 1979, and in 1981 which was the start of regional trade promotion operations:

|                        | (in ECUs) |         |         |         |         |         |
|------------------------|-----------|---------|---------|---------|---------|---------|
|                        | 1977      | 1978    | 1979    | 1980    | 1981    | 1982    |
|                        | -----     | -----   | -----   | -----   | -----   | -----   |
| Indonesia              | 281 000   | 196 000 | 346 000 | 394 000 | 244 000 | 160 000 |
| Malaysia               | 215 000   | 196 000 | 346 000 | 305 000 | 351 000 | 270 000 |
| Philippines            | 204 000   | 196 000 | 346 000 | 371 000 | 410 000 | 310 000 |
| Singapore              | 150 000   | 136 000 | 193 000 | 174 000 | 180 000 | 180 000 |
| Thailand               | 169 000   | 196 000 | 346 000 | 275 000 | 300 000 | 265 000 |
| ASEAN regional actions |           |         |         |         | 503 000 | 750 000 |

Economic Cooperation  
-----

It is in the area of investment and industrial cooperation where the most significant cooperation has thus far taken place, reflecting the ASEAN preoccupation with the under-representation of European industry in the region in comparison to 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 in Brussels in 1976 and Jakarta in 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 (ABECOR, EBIC, Europartners and Inter-Alpha), and which was opened by Indonesia's President Suharto and attended by Commission Vice-President Wilhelm Haferkamp, brought together some 800 leading businessmen, bankers and officials from the two regions, including senior officials from the European Commission, the nine Community member States and European public development finance institutions. About one-third of the industrial companies and more than half of the banks were represented by their chief executives.

Since that time, there have been contacts between the Chambers of Commerce and Industry of the European Community and the ASEAN Chambers of Commerce 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 investment in the two groups of countries. It will be a forum for raising problems encountered by industrialists seeking to invest or do business in one or the other region.

The Community is organising and financing in February 1983 an industrial conference to promote cooperation between the two regions with the accent on machine tools, agricultural machinery and processing and packaging machinery.

Since 1977, the Community has financed five technology transfer seminars, each in one of the ASEAN countries and aimed at businessmen and officials in that region.

A Programme of cooperation in science and technology has been set up with the ASEAN countries and from September 1981 will allow scholarships to be granted and seminars organized for the benefit of ASEAN countries.

#### Financial and technical Assistance

-----

In the context of its budget in favour of non-associated countries, the Community has financed development projects in three ASEAN countries which are eligible for such aid (Indonesia, Thailand and the Philippines). This aid has increased constantly since 1976 and was initially granted bilaterally. Since 1979 it has also been granted for regional projects benefitting the ASEAN countries as a whole. ASEAN countries benefit from about 20% of the global aid granted to all non-associated countries.

#### Training

-----

By granting scholarships or organizing seminars, the Community contributes to training ASEAN nationals. In this context, it financed in 1980 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 in terms of their needs. In 1981 it gave 2900 tons of milk powder and 1100 tons of cereals to Indonesia, and 1750 tons of milk powder and 8000 tons of cereals to the Philippines.

#### 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 the 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.

Negotiations for new bilateral agreements covering the period 1983-86 have taken place in Brussels. An agreement has been initialled with Thailand based on the Protocol of Extension of the MFA. The details of the economic content of a future bilateral agreement with Indonesia have also been agreed.

#### Trade Relations

The Community is ASEAN's fourth largest trading partner following Japan, the USA and intra-ASEAN trade in 1981. In that year the EEC accounted for 11% of ASEAN exports and 12% of her imports. The equivalent figures for Japan, the USA and intra-ASEAN trade were 28% and 23% and 19% and 14% and 18% and 13%. Since the first enlargement of the Community EEC exports to the region have increased by 330% while exports have gone up by 290%.

ASEAN's main exports to the Community in order of importance are lumber, electric machinery, manioc, natural rubber, clothing, coffee, textiles. These 7 products account for 65% of ASEAN exports to the EEC. ASEAN is an important supplier of raw materials for the Community being her principal supplier for tropical hardwood, natural rubber, abaca fibres, palm oil and coconut.

| TRADE BETWEEN THE COMMUNITY AND ASEAN |      |      |      | Million ECU |       |      |
|---------------------------------------|------|------|------|-------------|-------|------|
|                                       | 1973 | 1975 | 1977 | 1979        | 1980  | 1981 |
| IMPORTS                               | 1777 | 2200 | 4130 | 5424        | 6896  | 6642 |
| EXPORTS                               | 1656 | 2634 | 3845 | 4344        | 5317  | 7006 |
| BALANCE                               | -121 | 434  | -285 | -1080       | -1579 | +364 |

#### SOURCE EUROSTAT

1981 statistics are estimated based on preliminary estimates for United Kingdom trade.