

# EC-ASEAN

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## Ministerial Conference to confirm close relations

By Malcolm Subhan

There is no reason why the foreign ministers of the 10 Common Market countries should be flying out to Bangkok for a 2-day conference with the foreign ministers of the five ASEAN countries. Their political preoccupations are very different while their economies barely touch each other.

Under 3% of the EC's foreign trade is with ASEAN (which is roughly half as much as its trade with Latin America). As for Common Market investments in ASEAN, they amount to no more than 15% of all foreign investments (half as much as Japanese investments).

And yet the EC-ASEAN ministerial conference is set to open in Bangkok on March 24. As the participants will be foreign ministers its political importance is evident. For two days those who are responsible for the foreign policies of their countries will be focussing their minds on issues for which they probably have very little time otherwise. The fact is that Asia is remote from European preoccupations, as remote, no doubt, as Europe is from the immediate preoccupations of ASEAN. But the EC-ASEAN relationship will provide a focal point for their discussions.

The Conference's economic importance should not be underestimated, however. The European foreign ministers together make up one of the key Community institutions, the Council of Ministers. At a time of virtual economic stagnation and mounting unemployment the EC's relations with the less-developed countries have assumed much greater importance. Its foreign ministers will be attentive, therefore, to the economic aspects of the EC-ASEAN relationship and open to suggestions for expanding it on a mutually profitable basis.

The Bangkok Conference is important also because it is neither the first — nor, almost certainly, the last. It is the fourth in fact to be held in less than five years and the second to be held in an ASEAN capital. The Conference is a striking demon-

stration, therefore, of the stability of the EC-ASEAN relationship. What is more, it is an event almost without precedent in the Community's relations with the developing world. There is no formal provision for it, as there is for the ministerial conferences organized in the framework of the Lome Convention.

What is it that has drawn these two very different groups of countries together? Put the question to Common Market and ASEAN officials here and you will get very similar answers, although the importance they attach to any single factor will dif-

fer. Both sides obviously share a common interest in the maintenance of world peace and the promotion of stable, sustained economic growth.

Each side in fact considers the other as a force for peace and stability in its own region. Both sides also believe that regional groupings have an important part to play on the world stage, as the necessary complement to a world of individual nation states. The fact that they are separated by geography, and belong to two different groupings — the OECD, on the one hand, and the Group of 77 on the other — are additional reasons for working together.

The EC-ASEAN relationship obviously gives the ASEAN countries an extra channel of communication with the industrialized countries. It reinforces the dialogue which their foreign ministers hold each year with the foreign ministers of the major industrialized countries and their



Signing of the ASEAN-EC economic cooperation agreement in Kuala Lumpur, March 1980.

South Pacific neighbours, Australia and New Zealand. But the relationship is perhaps even more important for the EC.

As an ASEAN ambassador pointed out, it gives the Community access to the Pacific basin, where four major powers are present. But ASEAN is important also as a force for moderation and a channel of communication in international relations. Either one or two, or even all five, ASEAN countries are members of a variety of international organizations, including the U.N., the Commonwealth, the non-aligned group, the Group of 77, OPEC, the Conference of Muslim states, etc.

The more tangible links between the EC and ASEAN are their economic links, of course. The Community ranks third among ASEAN's trading partners, although it is some distance behind Japan and the U.S. Between 1973 and 1980 ASEAN's exports to the EC rose by 300% while the Community's exports rose by 230%. (However, the Community's share in ASEAN's imports is declining; between 1973 and 1979 it fell from 16.5% to 13.7%.)

Both sides obviously want to develop their trade as much as possible. To this end the ASEAN countries are trying to diversify their exports, away from raw materials and towards products with a higher added value. While the Community accepts this as an economically sound move, it nevertheless is concerned at the possibility of a sudden rise in its imports of "sensitive" products.

This is one reason why the EC is promoting industrial cooperation with the ASEAN countries. Some years ago it sponsored two EC-ASEAN Industrial Conferences, which brought together several hundred industrialists and businessmen from Europe and the ASEAN. This February it joined the ASEAN governments in sponsoring a 3-day sectoral conference, when over 100 Europeans, representing small and medium-sized firms, flew out to Kuala Lumpur to

discuss with their ASEAN counterparts collaboration in three industrial sectors: machine tools, agricultural machinery and packaging machinery. The EC obviously hopes that such cooperation will not only speed up the pace of industrialization but also result in a larger flow of European industrial goods to ASEAN.

The EC and ASEAN clearly are complementary in more ways than one and their present relationship does not come anywhere near exhausting their potential for cooperation. The ministers will have this in mind when they assemble in Bangkok. As in previous years their discussions will be in two parts, one dealing with political issues, the other with economic issues.

As the EC-ASEAN relationship is singularly problem-free, according to officials from both sides, the discussions should take place in a cordial atmosphere. The political discussions are expected to be wide-ranging, covering East-West relations since the death of Leonid Brezhnev, the likely changes in Japanese foreign policy under Mr Nakasone and the part China is playing in the region and on the world stage.

But as before, political discussions will focus on developments in Kampuchea, on the one hand, and Afghanistan on the other. The two sides are in broad agreement on the two issues, as is evident from the declarations issued after the ministerial conferences in Kuala Lumpur (1980) and London (1981). Their forthcoming declaration can be expected, therefore, to reflect their continued identity of views, despite a certain scepticism among the Europeans as to the long-term viability of the Sihanouk-Sonn Sann-Khieu Samphan coalition.

The economic discussions are bound to give rise to differences, especially when they turn to trade between the Community and ASEAN. Both sides have their grievances, and while the ministerial declaration can be expected to stress the positive ele-

ments in their trade relationship, each side will be seeking assurances from the other.

Although the EC's exports to ASEAN rose substantially in 1981, resulting in a surplus for the first time, there is concern here at the decline in the Community's share of the ASEAN market for imports. (Part of the turn-around in the trade balance could put down to lower commodity prices.) A senior Community official was only half joking when he claimed ASEAN tends to buy in Japan and to sell in the European Community.

Given Japan's proximity, and the high level of Japanese investment in ASEAN, one would expect the latter to favour Japanese products. Hence the importance of the Community's efforts to promote joint ventures and other forms of industrial cooperation. But European exporters may also be finding it difficult to match Japanese prices, credit terms — and salesmanship. While ASEAN governments have often indicated their desire to reduce their dependence on Japan and the U.S. for their technology imports, they are unwilling, presumably, to overlook economic factors entirely.

The ASEAN ministers may express their disappointment at the absence of any significant rise in European investments. The fact that the ministerial conferences have become a regular feature should be a signal to economic operators that the EC-ASEAN relationship is a stable one and has political backing on both sides.

ASEAN's foreign ministers are certain to voice their concern over some of the views which are being expressed in Common Market countries, albeit under pressure of economic events. They will probably argue that the way to fight the continuing economic recession is through the 2-way expansion of trade rather than through protectionism. In their view there is plenty of scope for developing the Community's exports to ASEAN, provided the latter is



*Distribution of WFP food supplies to the Kampuchean returnees in Battambang Province. EC also contributes to such aid programmes.*

given the opportunity to earn the foreign exchange needed to pay for imports.

For the present ASEAN seems more concerned over the threat of protectionist action than by any measures actually taken by the Community. (The situation would have been very different had the textile negotiations broken down last year.) However some ASEAN countries feel directly threatened by the moves towards graduation, a concept which the EC has already introduced in its system of generalized preferences. They feel there is little point in developing new industries if exports can be restricted because they are "too competitive." ASEAN is also concerned that it may be the hapless victim of protectionist measures aimed at the major trading nations of the industrialized world.

Protectionism in the Community is directed mainly against manufactured goods and certain agricultural products. But several ASEAN countries are also interested in safeguarding their position as exporters of raw materials. They would like the EC to help them secure effective action at the international level — via the Common Fund and the tin and rubber agreements, for example. (However, their attempts to influence prices by withholding supplies from the market have given rise to concern in the EC.)

Despite their differences, the ministers are certain to favour measures which promote cooperation, whether in trade, industry, the transfer of technology or science. They are unlikely to waste time in mutual recriminations. The fact is that the EC has funded activities in all these areas, with a considera-

ble measure of success.

ASEAN and European businessmen and industrialists have been brought together in the framework of trade promotion programmes, by means of industrial conferences and through the exchange of missions and delegations. An EC-ASEAN Business Council has been set up to encourage the private sector to work more closely together.

A special feature of the EC-ASEAN Cooperation Agreement of 1980 is the provision for development cooperation. Some 20% of the Community's total aid to developing countries in Asia and Latin America goes to ASEAN, to finance both regional and national projects. This aid has been earmarked by the Community for rural development; and as its beneficiaries are the poorer countries, it has been extended to only Indonesia, the Philippines and Thailand.

However, the recent Memorandum by the Development Commissioner, Edgard Pisani, has given rise to fears that this aid may be withdrawn. Rightly or wrongly, some ASEAN countries believe that he wants Community aid to be given to only the poorest countries on humanitarian grounds. They maintain that the EC should make a distinction between aid given for humanitarian ends and development aid. As regards the latter, it should be extended to all countries which have a cooperation agreement with the Community. The ASEAN ministers may, therefore, ask their European colleagues to confirm their support for development aid for ASEAN.

As the links between the EC and ASEAN are already extensive, the ministerial agenda is bound to be long. But a great deal remains to be done to take advantage of the opportunities their relationship offers both EC and ASEAN. While ministers cannot be expected to go into the details of the activities to be undertaken in the framework of the Cooperation Agreement, they can supply that vital commodity, political support.