

# EUROOPA



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# ASEAN AND THE EUROPEAN COMMUNITY

## RELATIONSHIP IN PROGRESS



*Upadit Pachariyangkun, Minister of Foreign Affairs of Thailand, and Roy Jenkins, President of the European Commission sign the ASEAN-EC Declaration in Brussels on November 22, 1978.*

If one goes through the diplomatic guide published by the European Commission in Brussels one will discover that some 90 developing countries have established diplomatic relations with the 9-nation EC. They range from Afghanistan to Zambia and include 16 Asian countries.

The European Community may have no political powers (which remain the preserve of the member states) but as the presence of this small army of diplomats only serves to underline, it is the world's leading trading power. It is not surprising, therefore, to discover that all five ASEAN countries maintain diplomatic missions to the EC.

What is more surprising is the extent to which the ASEAN countries have succeeded in establishing a continuing dialogue with the Community at all levels, from experts to ministers. Certainly the ASEAN-European Commission Joint Study Group (JSG) set up in 1975 has proved no less effective than the Joint Commission established the year before under the provisions of the commercial co-opera-

tion agreement between the Community and India.

One of the main achievements of the JSG was the organization of the two EC/ASEAN Conferences on Industrial Co-operation, the first of which was held in Brussels in 1977, the second in Jakarta just two years later. The Brussels Conference brought together nearly 500 businessmen and senior government officials. As the

Industries Minister of the Philippines, Vincente Paterno, pointed out, the Conference gave ASEAN businessmen a chance to meet in the space of three days more leading European industrialists than they could hope to meet in four weeks of intensive travel around the Community — if at all.

But the importance of the first Conference on Industrial Co-operation did not only lie in the contacts established or business done but in its significance for EC/ASEAN relations. This was the first time a Community institution, the European Commission, had joined forces with governments of developing countries to promote practical co-operation between economic operators in banking and industry. The Commission had not undertaken such a venture for any other group of developing countries, including those linked to the Community through the Lomé Convention.

### Meeting on top-level

This virtually unprecedented move on the economic level was followed by another even more dramatic move on the political level. In 1978 the governments of the Nine agreed to a meeting at ministerial level between the EC and its member states and ASEAN. No such meeting had ever been organized before, except in the framework of the association agreements, such as the Lomé Convention, which specifically provide for meetings at ministerial level as part of the regular institutional machinery set up under these agreements.



*Wilhelm Haferkamp, Vice-President of the European Commission in charge of external relations addresses the ASEAN-EC conference in Jakarta.*

The November 1978 meeting was the very first of its kind, therefore, between the EC and a group of "non-associated" states. (This is Community jargon for those developing countries, nearly all of them are in Asia and Latin America, which do not benefit from preferential arrangements such as the Lomé Convention.) But as if that were not enough to set it apart, the meeting adopted a 43-point Joint Declaration which concluded with all 14 ministers agreeing that their meeting had "ushered in a new era in the relations between ASEAN and the Community."

The fact is that EC/ASEAN relations have undergone a change in the last two years — and are very different from what they were in the early 1970s. There is a very simple explanation for this change. When ASEAN took the initiative in 1972 to establish closer relations with the EC, and even set up to this end a Special Co-ordinating Committee of ASEAN Nations (SSCAN), made up of the five trade ministers, the move was essentially a defensive one.

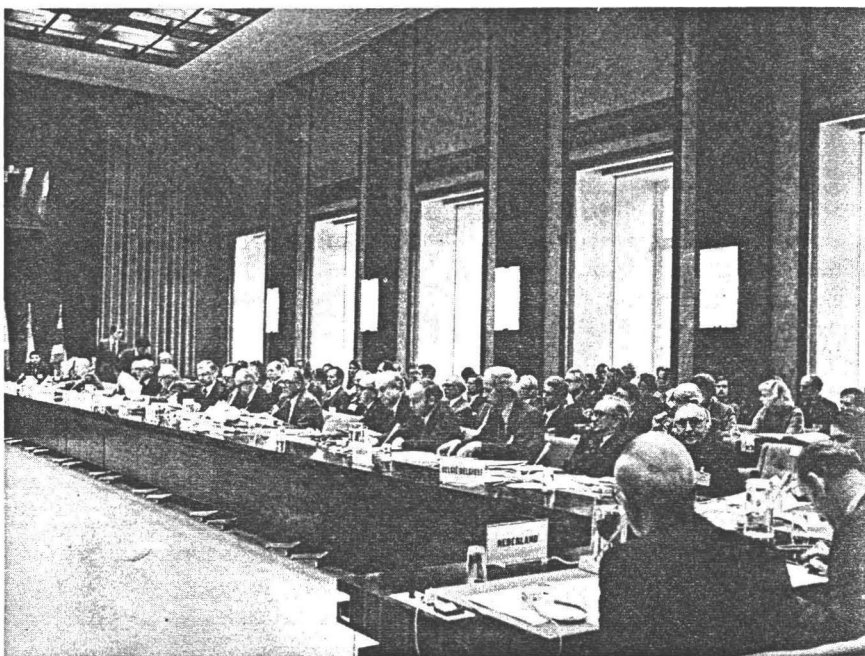
As exporters of tropical products the ASEAN countries had been worried for some time that the preferential access to the Community market enjoyed by the African associated states would reduce export opportunities for their own exports of timber, palm oil, copra, tobacco and plywood. The fact that Britain was getting ready to join the EC (along with Denmark and Ireland) added to the fears of Malaysia and Singapore, who now also faced the certain extinction of Commonwealth preferences.

Under pressure from the Asian Commonwealth-countries the EC and the U.K. issued a Joint Declaration of Intent. This contained an undertaking by the enlarged Community to examine with the Asian Commonwealth-countries "such problems as may arise in the field of trade, with a view to seeking appropriate solutions, taking into account the effect of the generalized tariff preferences scheme and the situation of the other developing countries in the same geographical area." The effect of this last clause was to extend the commitment to all the ASEAN countries.

But the enlarged Community was confident that ASEAN exports



*The ASEAN-delegation during the ministerial conference in November 1978 was presided by the Indonesian minister of foreign affairs, Mochtar Kusumaatmadja.*



*The European delegation during the ministerial conference in Brussels.*

to it would not fall; the Generalized System of Preferences (GSP), which the Community had been the first to introduce, was expected both to make up for the loss of Commonwealth preferences in the case of Malaysia and Singapore and extend to the three others the kind of preferential access enjoyed by the associate states.

With a view to safeguarding ASEAN export interests even further, the EC reduced tariffs on a number of processed agricultural products, such as various shellfish, coconut oil, canned pineapple, palm oil, pepper, spices and unmanufactured tobacco, by adding

them to its GSP list. It also introduced the principle of cumulative origin as a concession to Singapore, with its large entrepôt trade, and in 1975 extended it to the exports of all regional groupings such as ASEAN.

#### **Dynamism**

Thanks to these measures, and to the greater dynamism shown by ASEAN exporters, the fears of a decline in exports, which had been expressed on the eve of Britain's entry into the EC, failed to materialize. Between 1973 and 1978 exports increased by 140%.



*Ministerial conference in Brussels.*

*Left to right: Their Excellencies Mochtar Kusumaatmadja [Indonesia]; Hans-Dietrich Genscher, Federal German Foreign Minister and President of the Council of Ministers; Wilhelm Haferkamp, Vice-President of the European Commission, and Upadit Pachariyangkun [Thailand].*

Some of the ASEAN countries managed considerably higher rates of increase. In the case of Thailand, for example, the increase was over 300%, while the Philippines managed an 180% increase.

It is possible that the increase over this 6-year period would have been greater but for the continued slowdown in the world economy, of which the EC has been a victim along with the other industrialized countries. The fact is, however, that the ASEAN countries did rather well; after all, the Community's imports from *all* outside sources increased by only 111% between 1973 and 1978. This was the increase in the case of the four South Asian countries also, though three Far Eastern exporters (Hong Kong, South Korea and Taiwan) notched up an increase of 175%.

In any event, the ASEAN countries gradually became less defensive in their relations with the EC. Of course the issue of better access for ASEAN exports has come up at each meeting of the JSG. Each year the ASEAN Brussels Committee submits a memorandum to the European Commission requesting a series of improvements to the Community's GSP; earlier this year the ABC asked for product coverage to be further improved by the inclusion of a series of products, including certain fruits and vegetables, vegetable oils, coffee, cocoa and several

varieties of unmanufactured tobacco.

However, one has only to compare the subjects discussed at the first meeting of the JSG in 1975 with those discussed at the fifth, held this April, to realize that the outlook has shifted dramatically in this 5-year period. In 1975 the ASEAN countries were mainly concerned with removing tariff and other barriers to their exports; by 1979 the emphasis was on generating additional exports through trade promotion, the transfer of technology, industrial co-operation and co-operation in the fields of science and technology.

#### **Raw materials**

There is a similar emphasis on co-operation as regards trade in raw materials. In last November's ministerial declaration the Community recognized ASEAN's importance as "a major supplier of many key commodities." Two suggestions were put forward for stabilizing the export earnings of ASEAN and other developing countries:

(1) long-term arrangements between exporters and importers and

(2) a mechanism such as Stabex, which is in operation between the EC and the 57 African, Caribbean and Pacific countries associated with it through the Lomé Convention (ACP).

The Community clearly regards Stabex as an effective means of stabilizing export earnings; during the negotiations with the ACP countries for a successor to the Lomé Convention it agreed to add nine agricultural products and by-products to the 35 already covered by Stabex and to set up a separate Stabex for a number of minerals, including tin, copper, alumina, bauxite and manganese. Because most other developing countries have more diversify export outlet than have the ACP-countries, the EC feels that any extension of Stabex can only be in a global context — i.e. with the active participation of all the major buyers of commodities.

#### **Trade creation**

As mentioned earlier, much of the work programme of the JSG is now taken up with activities aimed at trade creation. To this end the European Commission has organized seminars on the management of technology transfers and training programmes to upgrade the skills of ASEAN technicians. It has held seminars in the ASEAN countries to help exporters use the GSP to diversify their exports and has sponsored trade delegations and ASEAN's participation in trade fairs in the EC countries.

The JSG also initiated two projects whose influence on EC/ASEAN relations in the medium to long term cannot be over-estimated. The first of these is a major study on what is best described as industrial complementation, not within the ASEAN region but between the EC and ASEAN. The study, which has been virtually completed, attempts nothing less than to identify in some detail the economic sectors in which the two sides can co-operate because each has a specific contribution to make, whether it be raw materials, trained workers, technology, capital, managerial skills, etc.

Once the study has been completed the JSG will embark on the task of implementing its recommendations as part of its work programme. To this end it will obviously try to interest economic operators on both sides to undertake projects based on economic complementarity. But the JSG has been doing just this in the context of its two conferences on industrial co-operation.

Of course there already are substantial Community investments in all five ASEAN countries, they account for over 30% of all foreign investments in Singapore and 18% of foreign investments in Malaysia. In the other ASEAN countries the proportion is considerably lower at around 10%.

The second Conference on Industrial Co-operation was specially important because it encouraged a large number of top European bankers and industrialists to visit the region and find out at first hand the opportunities it offers for industrial and financial co-operation. Since then the European Commission has undertaken the task of persuading economic operators on both sides to set up a permanent forum for trade and investment.

Given the rapid evolution in EC/ASEAN relations the stage

clearly has been reached at which a formal agreement becomes necessary. This was recognized by the ministers last November, when they agreed that "it would be desirable to place the relations between the two groupings on a more formal footing" and that "exploratory discussions on the contents of a possible co-operation agreement should shortly be started."

These talks having taken place this spring, the negotiations themselves are expected to begin this autumn. The focus of the projected agreement, which will be non-preferential in nature, will be commercial and economic co-operation, along the lines of the existing Community agreements with India and Canada. Both agreements are what are termed "framework" agreements; in other words, they outline the areas of

co-operation but leave it to the Joint Commission, which is set up under the agreement, to decide which activities will, in fact, be undertaken.

There is a danger with a framework agreement that nothing very much may happen. But it is very unlikely that the EC/ASEAN agreement will prove a dead letter. On the contrary, the JSG which has been functioning as a Joint Commission for all practical purposes, has already laid the basis for close and effective co-operation. The only other ingredient which is needed to make a success of the new agreement is political will. But the long and detailed Joint Declaration issued by the foreign ministers last November is the clearest expression of this political will.

Malcolm SUBHAN

EC Exports to ASEAN and other countries in Asia, 1975 to 1978  
(in million EUA\*)

	1975	1976	1977	1978
Total exports (Extra-EEC)	121 212	141 300	164 288	173 913
of which, to				
ASEAN	2 573	3 104	3 534	3 858
Indonesia	764	1 088	1 081	945
Malaysia	453	481	559	729
Philippines	329	406	442	543
Singapore	681	781	917	1 058
Thailand	346	348	535	583
Japan	2 227	2 722	3 093	3 726
China	1 153	1 186	796	1 489
South Korea	474	532	659	1 001
India	1 089	1 140	1 395	1 860

EUA = European Unit of Account. Please see note on page 17 for definition.

Source: Statistical Office of the European Communities.

EC Imports from ASEAN and other countries in Asia, 1975 to 1978  
(in million EUA\*)

	1975	1976	1977	1978
Total imports (Extra EC)	125 451	159 590	171 743	178 267
of which, from				
ASEAN	2 199	3 345	4 134	4 280
Indonesia	415	639	853	855
Malaysia	728	1 156	1 340	1 307
Philippines	350	454	552	574
Singapore	370	514	634	640
Thailand	336	582	755	904
Japan	4 826	6 399	7 669	8 712
China	667	860	863	937
South Korea	619	1 014	1 265	1 428
India	916	1 421	1 650	1 609

EUA: European Unit of Account. Please see note on page 17 for definition.

Source: Statistical Office of the European Communities.

\* 1 EUA = ± U.S.\$1.30