

THE EUROPEAN COMMUNITY AND ASEAN

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ASEAN

The Association of South-East Asian Nations (ASEAN) was established by Indonesia, Singapore, Malaysia, Thailand and the Philippines on 8 August 1967. Its purpose is 'economic development, social progress and cultural evolution of the region'.

The group took a major step forward in February 1976 when the heads of state or government of the five countries met at Bali (Indonesia) to conclude a Treaty of Amity and Co-operation and to sign a Declaration of ASEAN Concord. These agreements committed the signatories to establishing a zone of political neutrality open to other countries which might wish to join them. The agreement also foresaw arrangements for the peaceful settlement of any differences which might arise between the parties as well as a joint economic action programme featuring a number of large-scale industrial projects.

The Bali summit also agreed on the establishment of an Association Secretariat with its headquarters at Jakarta and the official nomination of its secretary-general.

Bali was followed by various meetings of the Ministers of Economic Affairs, to decide on measures to implement decisions taken at Bali. A number of decisions have been taken in the field of economic co-operation, notably on a joint industrial programme. A number of joint ASEAN projects have already been launched. The ministers have also discussed the establishment of a joint approach to the problems of raw materials and the stabilization of export receipts in international negotiations and conferences.

ASEAN cooperation was taken a stage further in February 1977 and in subsequent meetings when the Economic Ministers concluded arrangements on preferential trading involving a programme of reciprocal tariff cuts. Reciprocal preferences on supplies of food and energy in the event of shortages have also been agreed upon.

Cooperation between the ASEAN countries is increasing rapidly and ASEAN organizations have been established to cover a wide range of economic, cultural and political activities. In its dealings with the rest of the world it is functioning increasingly as a single entity, not merely with the Community but also with the USA, Japan, etc. The Prime Ministers of Japan, Australia and New Zealand had discussions with ASEAN leaders after the ASEAN Summit in Kuala Lumpur in August 1977.

Japan is ASEAN's leading trade partner, taking over 26% of her exports and providing 23% of her imports in 1976. The USA follows with 21% and 15% and the Community is in third place with 14.5% both for exports and imports. Intra-ASEAN trade accounted for 14.6% of ASEAN's exports and 12.6% of imports.

ASEAN produces 80% of the world's natural rubber, 40% of its tin, 50% of its coconuts, 80% of its abaca fibres, 60% of its palm oil and 12% of its rice. It is also a leading producer of tropical hardwoods, and copra, and produces substantial quantities of copper, sugar, coffee and tobacco.

THE EEC AND ASEAN

ASEAN/EEC links

While individual EEC countries have had historical links with some of the ASEAN countries (the Netherlands with Indonesia and the UK with its Commonwealth partners, Malaysia and Singapore) appropriate new links have been forged between the European Community as a single entity with these countries. Like all other developing countries the ASEAN countries have since July 1971 been beneficiaries of the EEC's Generalized Scheme of Preferences (GSP) providing free entry or reduced tariffs for exports to the Community of finished and semi-finished industrial goods and for a widening range of processed agricultural products.

The main impulse leading to the institution of closer relations between the EEC and the ASEAN countries, along with other independent developing Asian Commonwealth countries, arose from British accession to the Community. Until the end of 1972 Malaysia and Singapore (along with India, Pakistan, Bangladesh and Sri Lanka) were enjoying tariff preferences on the British market under the Commonwealth Preference System. This system has been wound up progressively following on British accession to the Community.

Although the value of these preferences had fallen over the years owing to successive tariff reductions negotiated in the GATT, these countries held that they stood to lose from a combination of new disadvantages from the elimination of the remaining preferences and the progressive alignment of British tariffs on the Community's tariff system.

Agreement was duly reached by the parties to the negotiations for British membership that should problems arise for the countries concerned these could be met under bilateral negotiations foreseen in the 'Joint Declaration of Intent' (JDI) annexed to the Accession Treaty. Although only the two Commonwealth countries, Malaysia and Singapore, are mentioned, the EEC has always considered the Declaration to apply equally to these countries'ASEAN partners. Its text reads in part:

'Inspired by the will to extend and strengthen the trade relations with the developing independent Commonwealth countries in Asia (Ceylon, India, Malaysia, Pakistan and Singapore), the European Economic Community is ready, from the date of accession, to examine with these 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 preference scheme and the situation of the other developing countries in the same geographical area.'

The first stage in the implementation of the JDI took effect on 1st January 1974 and was designed to overcome problems recognized as likely to follow from the process of aligning the two tariff systems which began on that date. Most of the measures taken were within the Generalized Scheme of Preferences (GSP). The Community is, however, aware that it is not always possible for developing countries, relying entirely on their existing economic structures and administrative resources, to utilize the GSP to the full extent theoretically open to them. In this context outside assistance can be helpful in providing at least some of the market information and contacts with importers that are lacking, and even in furnishing some stimulus towards internal economic adjustments likely to lead to better export performance.

The difficulties facing most developing countries in making full use of the GSP became evident to the Community before the Scheme had been long in operation. It was natural, therefore, having regard to its commitments under the JDI, that the Community would seek to work out ways of assisting actively these countries to overcome these difficulties in order to extend and strengthen mutual trade relations. Seminars have therefore been organized in all five ASEAN countries to help exporters and officials to understand the practical workings of the GSP system and thus enable them to take the fullest advantage of the opportunities offered.

In connection with GSP, the Commission has consistently sought to meet ASEAN preoccupations, notably through the enlargement of the list of manufactured agricultural products (e.g. shrimps and prawns, coconut oil, preserved pineapples, palm oil, pepper, Virginia flue-cured tobacco), and improvement of the basis for the calculation of ceilings and special measures for certain textile products. Further improvements benefiting ASEAN countries were incorporated in the Community's Tropical Products offer under the Tokyo Round MTN negotiations which came into effect on 1 January 1977.

As to cumulative rules of origin, a matter of particular importance to Singapore in view of its entrepôt role, a special regime has been applied from 1 January 1974 for eight products imported into the EEC from Singapore under which they enjoy GSP treatment provided that they are covered by certificate of origin issued by another ASEAN country. Subsequently the Commission has, as from 1 January 1975, incorporated into the Community GSP system the principle of cumulative origin to be applied to imports from regional groupings such as ASEAN. For its part ASEAN has accepted the principle of setting up its own organism to control the operation of cumulative origin.

Although the ASEAN countries still have a few preoccupations about EC commercial policies in a number of limited sectors, relatively few problems remain in their mutual trade relations.

EEC/ASEAN trade

In 1976 ASEAN exported goods worth EUR 2944 m to the Community and imported from it to the value of EUR 2882 m. ASEAN's surplus with the Community was thus some EUR 62 m, compared with deficits of EUR 401 m and EUR 412 m in 1974 and 1975. The trade growth rate has been at a rate of about 20% a year over 1970-76, though much of the increase in value has been absorbed by European inflation and steep rises in raw materials prices.

ASEAN exports to the Community (about 2.1% of total EC imports) include (in order of importance in 1976): rubber, timber, manioc, tin, palm oil, cattle-food and tapioca, imports from the Community (about 2.2% of total EC exports) consist of a wide range of industrial products.

The Joint Study Group

While commercial cooperation agreements have been concluded with India, Pakistan, Bangladesh and Sri Lanka, the members of ASEAN were also sounded out by the Commission during 1974 on their interest in concluding similar agreements with the Community. Preferring to act together as a regional grouping, they rejected the commercial cooperation agreement formula. A different form of relationship was preferred. Following the visit to S.E. Asia of a Community delegation in September 1974 the Community and the ASEAN countries agreed to set up a Joint ASEAN/EC Commission Study Group (JSG) 'to further the development and intensification of the continuing dialogue between ASEAN and the Commission'. The JSG would also 'serve as the mechanism through which to explore together all possible areas where cooperation could be broadened, intensified and diversified, giving special consideration to the development needs of the ASEAN countries and bearing in mind the situation in the EEC.'

The JSG held its first meeting in Brussels in June 1975, its second in Manila in December 1976, its third in Brussels in October 1977; and its fourth is being held in Bangkok in April, 1978. While trade has been and continues to be a leading theme of the JSG's deliberations, its scope covers a large number of other fields of cooperation. They include regional integration projects (the Community has from the outset welcomed the development of ASEAN as a regional grouping), joint economic studies and industrial co-operation. Assistance towards regional integration involves the sending of fact-finding missions of senior ASEAN officials to Europe, as well as the institution of cumulative preferences into the Community GSP system on 1 January 1975 (see page 4).

As regards trade, apart from finding solutions to specific sectoral problems, the JSG has monitored the increasingly active work being performed on trade promotion. Trade promotion assistance features an extensive programme of ASEAN participation in trade fairs and trade missions to Europe.

The JSG has also inspired the organization in Brussels in April 1977 of a conference bringing together some 500 industrialists, businessmen and government officials from ASEAN and the Community countries. A further conference on ASEAN-EEC industrial cooperation is likely to be held in Jakarta in the early part of 1979. Other JSG-inspired activities include a seminar on transfer of technology, a training programme to upgrade the skills of ASEAN technicians, Community aid on rural development, and co-operation in agriculture/fisheries. At present too a major study is being carried out to assess areas of long term economic complementarity between the two regions.

Future development EEC/ASEAN relations

The work of the Joint Study Group has been beneficial to both sides and relations between the two regions have intensified, reflecting on the European side the growing economic interest in the development of the ASEAN idea. A further reflection of this interest was the decision during 1977 to create a 'dialogue' at ambassadorial level between on the one hand the ASEAN ambassadors in Brussels and on the other the Committee of Permanent Representatives of Member States of the European Community and the Commission of the European Community. This met for the first time in November 1977 and is scheduled to meet again in the early summer of 1978. It will allow exchanges of views on problems of common interest and will complement the work of the Joint Study Group.

In addition it is envisaged that towards the end of 1978 there will be a meeting at ministerial level between representatives of the Council and Commission of the European Communities and representatives of the ASEAN countries.

To further assist the development of mutual assistance, it is the Commission's intention in 1979 to open an official Commission delegation within the ASEAN region.

The remainder of this note will be devoted to a brief survey of each of the ASEAN countries (with particular emphasis on the evolution of trade patterns) and such problems as are arising in regard to each country's trading relations with the Community.

EEC/INDONESIA

Indonesia has an area of 203 000 sq.km. and a population (est. 1976) of 135 million, of whom about 65% live in the densely populated island of Java. The population is increasing at an annual rate of 2.3%. The country became an independent republic in 1949.

Indonesia, with a GNP per capita of USD 180 in 1976, is still primarily an *agricultural* country. The contribution of agriculture to the gross domestic product is however falling: agriculture, forestry and fishing contributed 53% of the GSP in 1966 but only 33% in 1975. Small-scale farming on the other hand, provides employment for 60% of the working population. Apart from small-scale farming, rubber, palm oil, coffee, tea and sugar, are produced, rubber being the chief agricultural product exported.

Indonesia is rich in *mineral resources*: oil, natural gas, tin, copper, bauxite, nickel, coal, iron ore, gold and silver. Mining and quarrying accounted in 1975 for 20% of the GDP (only 2% in 1966). Indonesia's share of OPEC oil output is about 5%. Oil production is likely to rise strongly in the coming decade. The output of natural gas has doubled over 1971-75 and is likely to further expand.

Industrialization is still at an early stage, the manufacturing sector contributing only 9% to the GDP, but it is slowly growing. It employs about 7% of the working population.

Trade

Total World Trade

(USD million)

	1970	1973	1974	1975	1976
Exports	1108	3211	7426	6982	8546
Imports	1001	2730	3842	5159	5674
Balance	+ 107	+ 481	+ 3584	+ 1823	+ 2872

Source: IMF Direction of Trade Statistics.

Indonesia has been running large trade surpluses in recent years thanks to the boom in oil exports. The share of exports of goods and services in Indonesia's GNP was 35% in 1976 as against 9% in 1969. Crude oil and oil products accounted for 71.5% of the value of Indonesian exports in 1976. Other important export products are forestry products (export value nearly quintupled over five years), coffee, vegetable oil and tin. Imports consist of a wide range of capital goods (46% of the total), consumer goods (notably rice) and intermediate goods such as steel and concrete.

Japan was Indonesia's main trading partner in 1976: 42% of exports and 26% of imports. The USA's position, in second place, is rising in importance (mainly due to oil) while the Community, in third place, accounted for 7.2% of Indonesia's exports and 21.2% of imports. The EC's share of exports has fallen substantially in recent years.

Trade with the EEC

(EUR million)

	1971	1972	1973	1974	1975	1976
Imports from the Nine	242	251	383	611	718	939
Exports to the Nine	252	271	354	436	390	559
Balance	+ 10	+ 20	- 29	- 175	- 328	- 380

Source: Statistical Office of the European Communities (SOEC).

EC imports from Indonesia are overwhelmingly of primary or semi-processed products such as rubber, timber, tin, palm oil, coconut oil and pepper. Exports to Indonesia consist mainly of machinery and transport equipment, chemicals and other manufactured goods.

Indonesia/EEC relations

Indonesia opened diplomatic relations with the Community on 10 July 1967.

Few major problems arise in Indonesia's trade relations with the Community: the main exports (rubber, log timber and tin) enter duty free, commodity prices have been high in recent years, and heavy sales of mineral oil to the USA and Japan have reduced Indonesia's dependence on the Community market. However the Community, in implementation of the Joint Declaration of Intent, has broadened the scope of the GSP to include certain items of either actual or potential interest to Indonesia: in 1974 Virginia flue-cured unmanufactured tobacco, canned pineapples, shrimps and prawns, in 1975 (as from 1 July) palm and palm kernel oil, coconut oil and unground pepper, and in 1976 orchids.

The Community and Indonesia are cooperating on a major project, a pilot soya bean plantation in Sumatra, to which the Community is contributing one million EUR. The Community also contributed EUR 2 m under the 1977 aid programme to an irrigation project in Sulawesi. Under the 1977 Community Food Aid Programme, Indonesia received USD 1.2 m of skimmed milk powder.

At the end of 1977 the Community and Indonesia concluded an agreement on textile trade under the international Multi-Fibre Arrangement. This provides for self limitation of textile exports to the Community by Indonesia and will guarantee access to the Community market up to certain agreed levels during the period of the five year-agreement.

EEC/MALAYSIA

Malaysia is a federation of thirteen states, member of the Commonwealth of Nations. Malaysia gained independence in August, 1957. The Federation of Malaysia (Malaya, Singapore, Sabah and Sarawak) was formed in September, 1963 but Singapore seceded two years later. The Malaysian peninsula has an area of 132 095 sq.km.; Sabah and Sarawak (island of Borneo) have a further 198 929 sq.km., the total being 331 021 sq.km. The estimated population in 1976 was 1 253 million, 45% Malay, 30% Chinese and 10% Indian.

Malaysia's GNP per capita in 1976 was some USD 875. The economy is expanding at an annual rate of about 7-8%.

Although Malaysia is industrializing fast (production up 11% per year over 1970-75), *manufacturing* industry employed only 12% of the work force in 1976, contributing 16% to the GDP. The local assembly of cars and lorries is a leading industrial activity, while a large shipyard is planned. Malaysia is already self-sufficient in oil and there have recently been a number of offshore oil and natural gas strikes. Other important industries are textiles, timber and the processing of primary products such as tin, crude oil and rubber. *Agriculture*, on the other hand, accounts for nearly one-third of GNP and employs over half the labour force. Natural rubber is the single most important commodity; Malaysia is the world's largest producer and one-quarter of the labour force are dependent on the rubber sector. Palm oil and timber production are expanding; Malaysia is the world's largest producer and exporter of the former. The *mining* industry accounts for just over 5% of GDP; Malaysia is the world leader in tin production.

Trade

Total World Trade

(USD million)

	1970	1973	1974	1975	1976
Exports	1687	2984	4236	3806	5297
Imports	1401	2504	4156	3526	3831
Balance	+ 286	+ 480	+ 80	+ 280	+ 1466

Source: IMF Direction of Trade Statistics.

External trade represents about 50% of Malaysia's GNP, a proportion that has been rising over recent years.

Malaysia has been running a substantial trade surplus over recent years and this continued with the commodity boom into 1975. Recession in the developed countries has had some adverse effect on exports of rubber, timber, tin and other products since mid-1974 while import prices have undergone large increases.

Rubber and tin (23% and 12% of the total) have traditionally been Malaysia's leading *exports*, but in recent years timber (17%) and palm oil (10%) have become important export products. Malaysia has also become a net exporter of petroleum (13%) and exports are likely to rise considerably in the near future. Machinery and transport equipment (20%) chemicals/metals (22.6%) and food/beverage/tobacco (9.5%) are the main import categories.

The Community with 21% of the total equals Japan as an export market and is well ahead of the USA (15.6%). The position of Australia (22%) has risen dramatically in recent years. ASEAN as a group, with 24%, has become the leading export outlet, though of course more than three-quarters of this is accounted for by Singapore alone (mainly goods which are re-exported) Japan (21.2%) is the leading source of imports, followed by the Community (17%).

Trade with the EEC

(EUR million)

	1972	1973	1974	1975	1976
Exports	394	628	845	683	1014
Imports	256	337	527	425	413
Balance	+ 138	+ 291	+ 318	+ 258	+ 601

Source: ECSO.

Malaysia has since 1972 had a series of substantial trade surpluses with the Community. This is due to high prices for all her main export commodities in recent years.

About one-quarter of Malaysian exports go to the Community and of these about one-third to the UK. Four items have consistently made up 80% of Malaysian exports: rubber, timber, palm oil, and tin. However, a modest volume of manufactured items such as textiles, clothing and sports shoes has started to go to Europe. EEC exports to Malaysia are predominantly machinery, transport equipment, chemicals and fertilizers.

Malaysia/EEC relations

Malaysia opened diplomatic relations with the Community on 20 May 1968.

In application of the JDI, tariff concessions were included in the 1974 GSP on plywood and canned pineapples, two products for which Malaysia had built up an important market in the United Kingdom. Subsequent GSP's (1975-77) have maintained their concessions. However the basis of calculation for the plywood quota was altered in 1975 from value to volume, following representation by the Malaysian mission. Concessions were also introduced in 1975 on pepper, palm oil, palm kernel oil and coconut oil for non-industrial use. As an ASEAN member Malaysia is also benefiting, although perhaps initially less than for instance Singapore, from the Community's introduction of a system of cumulative origin for products originating in ASEAN as from 1975.

Malaysia was in 1976 the fifth most important user of the Community GSP, having jumped, from eleventh position in 1975. This was due primarily to exports of palm oil.

The 1977 Trade Promotion programme provided for two trade missions from Malaysia to the Community.

At the end of 1977 the Community and Malaysia concluded a five year agreement on self restraint of textile exports under the international Multi-Fibre Arrangement.

EEC/SINGAPORE

Singapore is a republic within the Commonwealth of Nations. It is an island with an area of a mere 586 sq.km., but it has a population of 2.2 million, of whom 76% are Chinese and 15% Malays. Singapore achieved independence as a member of the British Commonwealth in 1959, joined the Federation of Malayan States in 1963 but seceded in 1965 to form an independent republic.

Singapore has a GNP of USD 5 665 million (1974) (USD 2 575 per capita); the economy is expanding fast largely owing to rapid industrialization, in particular the development of an export-orientated manufacturing centre. The growth rate in 1976 over the previous year was 8%. Industrialization along with the building up of financial services has resulted in the economy being directed away from its traditional base as the entrepôt trade in tropical products. Entrepôt trade nevertheless accounts for one-third of all foreign trade and for one-tenth of the GDP. Singapore's role as an entrepôt and communications centre is important: it has the largest airport and seaport in S.E. Asia, the seaport being one of the ten largest in the world.

Petroleum refining was the great growth industry of the 1960's, and is now the largest single industry in terms of value of production.

Recently the electronics industry has shown a dynamic rate of growth while others expanding fast have been electrical machinery and appliances, shipbuilding/repairing and chemicals, with a large petrochemical plant starting to operate in 1977. Precision industries such as photographic equipment, specialized tools, dies and machine parts are considered to have an outstanding growth potential. Manufacturing accounts for one-fifth of the GDP.

Trade

Total World Trade

(USD million)

	1970	1973	1974	1975	1976
Exports	1554	3664	5815	5372	6594
Imports	2461	5146	8368	8129	9070
Balance	- 907	- 1482	- 2553	- 2757	- 2476

Source: IMF International Financial Statistics and Direction of Trade.

Singapore's commercial policy is one of the most liberal in the world: import duties are levied only for revenue purposes and there are no export duties. Imports consist of a very wide range of machinery and transport equipment, manufactured goods, fuels and chemicals, etc.

Fuels and chemicals are the main *export* item (25% of the total in 1976) but exports of machinery and transport equipment, electronic equipment and textiles, clothing and wood products are rising rapidly. In the entrepôt trade crude rubber imported from Malaysia remains the leading commodity, but other important items are lumber, and spices and vegetable oils, much of the latter two products being supplied by Malaysia and Indonesia. Price increases for such items as petroleum, rubber and timber account in great measure for the large increase in the value of exports since 1973.

Singapore's four main trading partners are Japan (18.2% of exports and 16% of imports in 1976) Malaysia (15.2% and 14.4%), the USA (14.6% and 13.2%) and the Community (14.3% and 11%). Malaysia's relative position is however declining, while trade with the USA (both ways) and with Japan (exports) is increasing.

With the exception of 1975 when they fell by 10%, Singapore's exports have been increasing rapidly in the seventies, the rise being as much as 60% in 1974.

Trade with the EEC

(EUR million)

	1971	1972	1973	1974	1975	1976
Singapore exports	138	183	353	337	346	450
Singapore imports	391	408	501	728	715	894
Balance	- 253	- 225	- 148	- 391	- 369	- 444

Source: ECSO

Singapore has for long run a persistently unfavourable trade deficit with the Community, imports in most years being around twice the level of exports. The composition of the Community's imports has completely changed in recent years: in 1968 over 80% of imports consisted of primary products such as rubber, timber, canned fruit etc. Since 1970 however there has been a massive rise in imports of manufactured goods, particularly electrical and electronic equipment which now account for more than half the Community's imports. The pattern of imports however has remained rather stable, consisting mainly of finished products such as industrial processing machinery, transport equipment, etc. About half the EEC's imports from Singapore goes to the U.K., which supplies about 40% of the Community's exports to Singapore.

Singapore/EEC relations

Singapore became accredited to the Community on 19 May 1972.

The Community GSP system applies to Singapore. Singapore however claimed that the system was of limited value owing to the rules of origin which usually require a minimum of 50% local materials cost and of 60% in local content for the exporter to enjoy GSP benefits; this, it was claimed, amounted to being a built-in disincentive to cost reductions by Singapore's manufacturers. In 1974 the Community went part of the way to alleviating the situation by exempting 8 products exported through Singapore from the normal rules of origin. From 1975 the principle of a cumulative rules of origin system was adopted to apply to such regional groupings as ASEAN. In 1976 Singapore was the eighth most important user of the Community's GSP.

Singapore has in recent years attracted substantial investment from Community countries, thus counterbalancing the high degree of dependence on the USA and Japan. Singapore remains keen to attract European investment, and particularly companies specializing in such fields as precision machinery or petrochemicals, as well as the transfer of technology from Europe.

In 1977 under the Community's trade promotion programme one trade mission visited Europe and another is due in 1978.

At the end of 1977 the Community and Singapore concluded a textile agreement within the framework of the international Multi-Fibre Arrangement allowing for a five year period of self limitation of textile exports up to certain agreed quotas.

EEC/PHILIPPINES

The Philippines, consisting of an archipelago of over 7 107 islands, have an area of 300 000 sq.km. and a population (1976) of 43.7 million. The country became an independent republic in July 1946. The GNP in 1976 was USD 17.5 billion, i.e. USD 400 per capita.

The Philippines economy is still heavily based on *agriculture*, forestry and fishing though the proportion of the labour force on the land is now below 50%, producing about 26% of the GSP. Agricultural output is steadily increasing, the main products being rice, corn, coconuts (three-quarters of world production), sugar, tobacco, bananas and manilla hemp. Rice is the main food crop. *Mining* is the fastest growing sector. Copper is the most important mineral being mined, but there are large deposits of nickel, iron ore molybdenum, chrome and manganese. The Philippines are not rich in known *energy* sources, though it is believed that large quantities of oil exist in off-shore areas.

Industry (manufacturing and construction) is expanding slowly. It employs 16% of the work-force and contributes around one-third of GDP. The processing of primary products and the production of consumer durables are the leading manufacturing activities, though the production of investment goods has started.

Trade

Total World Trade

(USD million)

	1970	1973	1974	1975	1976
Imports	1206	1790	3444	3703	3952
Exports	1043	1886	2673	2273	2574
Balance	- 163	+ 96	- 771	- 1420	- 1378

Source: IMF International Financial Statistics and Direction of Trade.

External trade accounts for 50% of the Philippine GNP. It consists overwhelmingly of primary products: in 1976 coconut products accounted for 18.2% of the total, sugar 16.7%, copper 9.8% and timber 6.8%. Since 1974 the steep increase in the import bill for oil and fertilizers has nowhere near been paralleled by high prices for these export products and hence a yawning trade deficit has ensued. Fuels accounted for no less than 29% of imports in 1976.

In the five years 1970-76 imports from the USA (with which the Philippines enjoyed a reciprocal preferential trade agreement which expired in July 1974) fell from 34 to 22% of the total; Japan on the other hand went in 1972 into first place, a position maintained in 1976 with 27% of the total. The EC countries share in 1976 was only 12%; The USA's position as the main export market was 36% of the total in 1976 while Japan which had been rising over some years fell to 24% in 1976. The Community's share in Philippine exports has been rising remarkably, from 7% in 1970 to 19% in 1976.

Trade with the EEC

(EUR million)

	1971	1972	1973	1974	1975	1976
Philippines Imports	218	157	177	249	310	338
Philippines Exports	151	168	202	319	348	410
Balance	- 67	+ 11	+ 25	+ 70	+ 38	+ 73

Source: ECSO

The Community's main imports from the Philippines are coconut products (copra and oil) which account for 45-65% of the total, logs and timber, animal feedstuffs, manilla hemp, preserved pineapples etc. Manufactures represent under 10% of the total. Philippine exports to the EC rose over 2½ times over 1971-76. Some 90% of imports from the EC are manufactured items, machinery and transport equipment accounting for nearly 50%.

Philippines/EEC relations

The Philippines opened diplomatic relations with the EEC on 12 May 1964.

The main export to the Community, copra, enters the EEC duty free, though since February, 1974 it has been subject to an export tax.

A number of Philippine products were included in the 1976 and 1977 GSP or in the Tropical Products offer under the MTN, at the request of the Philippine government.

Under the 1977 Community *Food Aid* programme the Philippines received USD 1.5 m worth of skimmed-milk powder, having received USD 1.2 m worth in 1976.

Under the 1977 Trade Promotion programme two Philippine trade missions visited Europe.

At the end of 1977 the Community and the Philippines concluded a five year textile agreement within the framework of the international Multi-Fibre Arrangement.

EEC/THAILAND

Thailand is an independent kingdom with an area of 514 000 sq.km. and a population of 42 million, rising at an annual rate of about 3%. Buddhism is the State religion and 94% of the population are Buddhists. The GNP in 1976 was about USD 15.5 billion, namely about USD 370 per capita, having risen by 6.5% and 7% in 1975-76

Thailand has a rather small industrial sector, accounting for 25% of GNP in 1975, but it is expanding fast. There are deposits of many minerals including coal, iron, copper, tin, gold, silver, rubies and sapphires. Tin is the main mineral mined and about 30 000 tons are exported. There are small oil reserves but there are extensive areas of oil-bearing shales; the three refineries practically meet domestic needs. Agriculture accounted in 1975 for 27% of the GNP but employed no less than 80% of the work-force. Rice is the main crop; in 1975 it occupied 64% of cultivable lands and represented 40% of agricultural production. Maize, sugar, soya beans, tapioca and cotton are other important crops. Thailand is the third producer and exporter of natural rubber.

Trade

Total World Trade

(USD million)

	1971	1972	1973	1974	1975	1976
Exports	831	1081	1563	2465	2382	2950
Imports	1287	1484	2032	3145	3319	3636
Balance	- 456	- 403	- 469	- 680	- 937	- 686

Source: IMF, Direction of Trade Statistics.

Thailand is running a regular trade deficit with the world, but part of this deficit is offset by invisible earnings, notably from tourism. Exports are overwhelmingly agricultural; rice, corn, sugar, tapioca and rubber constituted 54% of the total in 1976. Tin sales are also important. Capital goods (33% in 1975), intermediate goods (24%) and oil products (21%) are the main categories of imports. Japan is the leading trade partner (26% of Thai exports and 31% of imports in 1976), followed by the Community (15% and 17%) and the USA (10% and 15%). Other S.E. Asian countries are also an important export outlet for Thailand, notably Hong Kong.

EEC/Thailand Trade

(EUR million)

	1971	1972	1973	1974	1975	1976
Thailand exports	149	163	213	342	315	510
Thailand imports	217	222	261	429	325	298
Balance	- 68	- 59	- 48	- 87	- 10	+ 212

Source: ECSC

Thailand was in deficit in its trade with the Community until 1975, though the size of the deficit gradually fell. In 1976 Thailand scored a large surplus with the EC, due primarily to increased exports of rice and tapioca, the two leading products imported into the Community from Thailand (tapioca represented no less than 52% of the total in 1976). Other products exported to the EC are tin, precious stones, lumber and wood products and woven jutu. Manufactured goods form the bulk of Community exports to Thailand (88% of the total in 1976), machinery, transport equipment and chemicals being the main items.

Thailand/EEC relations

Thailand opened diplomatic relations with the Community on 28 August 1962.

Textiles are the main product to benefit from application of the GSP to Thailand. The Community and Thailand at the end of 1977 signed a self-restraint agreement on textile exports from Thailand to the Community under the international Multi-Fibre Arrangement. On the request of the Thai Government orchids have been included in the GSP.

Under the 1977 Trade Promotion programme two Thai trade missions visited Europe.

Thailand benefited in 1977 from a one million EUR allocation from the EC budget for rural development in non-associated developing countries. It will be used for a pig breeding centre. Thailand also received assistance for an inland fisheries project via the Asian Development Bank.