

# European Community

## News Release

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### BACKGROUND NOTE

### EC-ASEAN RELATIONS

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Although the North/South Dialogue between the world's rich and poor countries has advanced rather slowly, the European Community is forging ahead with its own regional agreements with developing countries. The EC's new five-year pact for trade and aid with 58 African, Caribbean and Pacific developing countries, the second Lomé Convention, came into force on 1 March 1980. Now the EC has signed an Agreement for Commercial and Economic Cooperation with the Association of South-East Asian Nations (ASEAN).

ASEAN was set up in 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand. To promote economic growth - already the highest of any regional grouping in the world - and to obtain the benefits of a larger market, ASEAN has set up preferential trading arrangements and a number of regional industrial projects and industrial complementation schemes, as well as plans for the preferential supply of rice and crude oil in the event of a shortage. Since the Bali Summit in 1976, ASEAN has made rapid progress towards achieving a real identity at both the economic and political level.

In the last three years ASEAN has conducted discussions and negotiations as a group not only with the Community but also with the USA, Japan, Canada, Australia and New Zealand. ASEAN's stated aim is to create a zone of peace and neutrality in South East Asia. This concept has become generally accepted by the major powers and was supported strongly by the Community at the November 1978 Ministerial Meeting.

Since 1972 there has been a steady growth in relations between the Community and the Association of South East Asian Nations despite the lack of a formal agreement between the two regions. In 1974, the Community offered the possibility of concluding Commercial Cooperation Agreements similar to those negotiated with the countries of the Indian Sub-continent. The ASEAN countries replied that they preferred to develop their relations with the Community on a regional basis which meant waiting until ASEAN itself was more prepared for such a step. In the meantime, it was agreed in 1975 to create a Joint

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Study Group (JSG) composed of representatives of the Commission and of the five ASEAN governments to develop a continuing dialogue and to provide a forum for exploring all possible areas of cooperation. The JSG has met five times over the last four years and has examined a wide range of problems and initiated joint activities in a number of fields. The most important of these were the Industrial Cooperation Conferences held in Brussels in April 1977 and in Djakarta in February 1978.

In order to satisfy an ASEAN wish for an intensification of its relationship with the Community, it was decided in 1977 to establish a regular dialogue at ambassadorial level between the ASEAN Brussels Committee on the one hand and COREPER (Committee of Permanent Representatives, i.e. of EC member states' ambassadors accredited to the EC), and the Commission of the EC on the other, beginning in November 1977. This was followed in November 1978 by a meeting at ministerial level, when the Community confirmed its economic and political support for ASEAN, and agreed to open exploratory talks with a view to concluding a formal agreement between the two regions.

In May 1979, the European Parliament called for the strengthening of ties between the Community and ASEAN, and the conclusion of an overall cooperation agreement.

#### The economic background

Taken together, the five ASEAN countries have a total population of 247 million (1977), only slightly less than the Community. The economies of the member countries are among the fastest growing in the world. Within ASEAN, between 1973 and 1978, the annual growth rate of Gross Domestic Product in real terms varied between 6.8 per cent and 7.9 per cent, compared to the Community's growth rate of less than 3 per cent. In terms of GNP per capita (1976), the five countries range from \$250 in Indonesia to \$380 in Thailand, \$410 in the Philippines, \$860 in Malaysia and \$2,700 in Singapore. The ASEAN region is exceptionally rich in natural resources. It is the principal world supplier of natural rubber (80 per cent), abaca fibres (80 per cent), tropical hardwoods (75 per cent), palm oil (60 per cent), and coconut (50 per cent) as well as being a significant producer of oil, copper, sugar, coffee, tobacco, rice and tin.

Trade with ASEAN has been expanding rapidly, although the Community's share in ASEAN's external trade has continued to fall behind that of Japan. EC exports to ASEAN rose from 1,656 million EUA in 1973 to 3,860 million EUA in 1978, increasing from 2.05 per cent to 2.22 per cent of the Community's total exports. EC imports over the same period rose from 1,777 to 4 280 million EUA (from 2.11 to 2.34

per cent of total imports). From the ASEAN point of view the Community's share in the region's exports fell from 15.7 per cent in 1973 to 14.7 per cent in 1977 while its share of total ASEAN imports fell from 16.5 per cent to 14.6 per cent. Japan is now ASEAN's major trading partner with over 25 per cent of its external trade, followed by the US with over 20 per cent.

In the field of foreign investment, Japanese investments in ASEAN have grown rapidly and at the end of 1977 were estimated to represent 32 per cent of total foreign investment over the previous ten years. Community investment on the other hand has fallen during the same period and stands at 14 per cent of the total. The USA had 16 per cent of the total.

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