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"A European view on
I. Trade and Investment in the Pacific Basin;
II. Economic Policies for the Pacific Basin."

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1. Trade and Investment in the Pacific Basin (P.B.)
2. Economic policies for the Pacific Basin (P.B.)

Introductory remarks:

Although the notion of the Pacific Basin exists in terms of a geographical entity and is in fact the largest on this globe, there is no parallel regional definition as far as I know in economic terms. The P.B. indeed is composed of or bordered by at one and the same time some of the biggest and richest economic powers in the world and some of the smallest and poorest, so that if it were to be regarded as a family of Pacific powers it should be the most varied family gathering imaginable. In the trilateral context Europe is the only one not to be a Pacific power and the very last for this reason that could be expected to have an economic policy for the P.B. as such. On the other hand Europe and its many Nations have the experience of a very wide range of links and relationships with different parts of the P.B. and have profoundly affected or been affected economically speaking, by many Pacific countries. Some of these contacts are historical as for instance the Dutch with Indonesia or the British with Malaysia, Singapore and Hong Kong or the French with Vietnam and the New Hebrides not to speak of many other episodes in the history of Europe which have also decisively influenced what we are calling the Pacific world and not forgetting the major influence of China and Japan on European culture and vice versa. In the interdependent world of today in which shock waves reaching the Eastern border of the Soviet Union or the Western shores of the United States would immediately be felt in Europe, as you will remember that, going Westwards or Eastwards, there

is only one big country in between Europe and the Pacific. It may be a good idea to recall that Wellington is much further away from Anchorage indeed than Tokyo is from London.

Europe, although it remains an Atlantic, Baltic and Mediterranean power, is very much alive to anything which might happen in the Pacific so that the creation of an economic entity called P.B. could not fail to have a profound effect on economic development in Europe and has indeed already been referred to as "a new challenge to Europe". Nevertheless it would be presumptuous for a European observer to pretend that he were able to contribute at this stage to this important dialogue anything more than

1. A series of factual observations on European trade (and investment) with different parts of the p.B. and
2. A number of questions, without necessarily answers, for a possible future economic policy towards the P.B. - and this is what I intend to do in the first and second part of my introductory remarks which you have asked me to make.

I.

Trade and Investment in the Pacific Basin

To try to introduce in twenty minutes a discussion on Europe's trade relations with the P.B. will of course involve a high degree of compression and indeed the risk of over-simplification. How can one identify in a reasonable way the main points on which the discussion might focus? From the European point of view as regards trade (and to a certain extent investment) I would propose to carve the P.B. up as follows:

1. The three super powers - U.S. (and Canada), S.U., China.
2. The Central P.B. i.e. Japan + Three (Korea, Taiwan and Hong Kong).
3. ASEAN (and Indochina).
4. Others
 - a) Pacific Latin America:
 - Mexico, Guatemala, Costa Rica, Panama
 - Chile, Colombia, Equator, Peru
 - b) Oceania:
 - Australia and New Zealand
 - The "P" in ACP and Pacific TOM

Details of this vast canvas can be found in the Annexed Tables so I will limit myself to the following comments:

1. As far as the three super-powers are concerned none is exclusively committed to the Pacific but all of them have vital interests in the region. The question is how to determine the relative importance of the part of each of these countries which reflects its share in the Pacific context. It is recognized that there has been an important shift of economic activities from the eastern part of the U.S. to its pacific states. But only under quite exceptional conditions the U.S. might be able to bring its full economic weight to bear on its pacific relations whereas in terms of normal trade or investment flows only China might be counted as entirely a Pacific power as all her major outlets are situated at the Pacific coast. In my present exercise it would not make sense, indeed to include the whole of the United States or by all means the Soviet Union, Canada or Mexico into the Pacific. The United States alone is by far the most important economic partner of the EC and is responsible for approximately 1/7th of EC's external trade, a figure which in turn considerably outweighs the total Pacific commitment of the EC, which amounts to only 13% of our imports and roughly 10% of our exports (excluding North America). To measure the relevant part of our trade with the U.S.

to be included in the Pacific Exercise, one should therefore assess how much of EC trade with the U.S. starts or arrives in the P.B. There are interesting U.S. custom statistics which show that a growing percentage of U.S. total exports and imports are handled by the Pacific ports. This figure stands at 18.3 and 19.7% in 1978 for total U.S. imports and exports but much less i.e. only 1/10th of U.S. trade with western Europe is, as could be expected, handled by the U.S. Pacific region.^{1/} Only this 10th of total U.S./EC trade (and I guess a similar percentage could be estimated for Canada and Mexico) should therefore be added to our trade figures with other Pacific partners when calculating the full weight of EC's economic relations with the Pacific basin. Needless to say there seem to be no corresponding figures available for the Pacific ports of the Soviet Union. The day may come yet when a full fledged development of Siberia's tremendous resources could create a new economic situation in the Pacific Basin which might even indirectly affect Europe's part in it.

2. As for China, traditionally and again potentially probably the most important partner for Europe in the Pacific, European exports and imports during the last decade never reached 10% of our total trade with the P.B. This is particularly due to the fact that China's export possibilities are relatively limited, like those of most Communist countries, and given a need for bilaterally balanced trade, exports into this unsaturated market are limited as well.

3. By comparison, Japan and its fast developing neighbors (Korea, Taiwan and Hong Kong) which for economic reasoning I may be allowed to put into the same

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^{1/}
Footnote: This Pacific portion though increasing considerably in absolute figures is slightly decreasing percentage wise, fluctuating around 10% of total U.S. exports and imports to and from Europe)

basket for this particular exercise constitute indeed our most important trading partners in the Pacific region. This part of the Basin which has developed as its economic center stands indeed for almost 2/3rds of our imports but only for 40% of our exports into the Pacific. It is not my intention to enter here and now into a discussion of the well-known problems created in our bilateral relations by this imbalance.

I would rather draw your attention to two significant data: one is the tremendous growth of exports of manufactured goods from Japan and its neighbor countries into Europe during the last decade. By comparison with total European imports and exports which went up four times from 1968 to 1978, imports from Japan itself increased nine times, from Hong Kong five, from Taiwan 15 and from South Korea 55 times. All of these countries have thus outflanked continental China in their exports to the Community.^{2/}

The second point to make is the predominant role of Japan in inter-Pacific trade. Japan is first as a customer and supplier to Thailand, Vietnam, Indonesia, Malaysia and to Mainland China and first as supplier to Singapore, the Philippines, North and South Korea, Taiwan and Hong Kong as well as top customer for Australia. By comparison the U.S. are first for imports and exports in Japan itself and as market for the Philippines, South and North Korea, Taiwan, Hong Kong and Singapore. Europe can boast of being the main partner in both directions only to New Zealand and is defending its position as a top customer with Chile and Australia. From the trading point of view the P.B. has in fact become above all a Japanes Basin, the U.S. a strong runner-up and the EC a creditable third.

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Footnote: The exceptional growth of exports from Korea is of course partly explained by the low starting level. On the other hand the share of the United States in Korean exports of manufactured goods fell from 1970 to 1978 by more than 1/3rd and the share of the Community rose 2 1/2 times, particularly as the U.S. market in textiles since the American restrictions of 1972 has been largely replaced by the Community.)

4. Where the EC has made a particular effort is in the ASEAN region which is our second largest partner in the Pacific and of great importance for the supply of key commodities in the agricultural and mineral field. When introducing our economic policies in the region I will elaborate on this. Summing up, the relative importance of the P.B. as a whole for the European Community has not changed considerably during the last decade (1968-1978). Imports from the region have grown by 1.4 points (from 13.7 to 15.1% of our total imports; exports came down by 2.2 points (from 13.7 to 11.5% of our total exports), the western coast of America always included. Trade has in fact developed at a slightly slower pace than the totality of EC's foreign trade relations. These figures however cover wide variations in trends when one descends from the generality to the particular areas of the Pacific region. Particularly there is a tremendous growth in the share of the central part of the P.B. in our imports (from 3.3% to 7.6%) accompanied by a modest increase of the share of the same countries in our exports (from 3.4% to 4%).

II.1. Economic Policies for the Pacific Basin

Following the conclusion at which I arrived at the end of the factual analysis which I made in the first part of my address there is no need for further explanation why the European Community (or any other third country) has no uniform economic policy to offer to the whole of the P.B., given the number of divergent and sometimes conflicting situations which arise in this region whose only common element seems to be its geography.

As long as there is no Pacific Economic Community covering under a system of common rules the whole or essential parts of the Basin and as long as divergent politico-economic systems continue to exist in that part of the world, the European Community will have to approach these divergent situations by somewhat differing methods. I would like to review these different policies first and then launch myself into some random speculation on what sort of common rules might one day be applied to the P.B. "as such" in case a sufficient number of interested countries would agree to that.

Evidently our multilateral non-discriminatory system of GATT rules and connected agreements as reviewed and enlarged during the Tokyo-round of M.T.N. will guide European economic policies in the P.B. as everywhere else in the world. In many cases we need neither add nor deduct anything from this code of international rules for tariffs and trade.

According to Part IV of GATT we discriminate in favour of L.D.C.'s and a relatively large number of these countries in the region profit from our System of General Preferences. Several of them indeed figure well up in the list of countries profiting from this scheme (see attached table). Furthermore, some of the smallest pacific countries are partners to the Lome Agreements and the last territories which are not yet

independent get special assistance under the European regulations for overseas territories (see attached list).

2. For the ASEAN group of countries where high growth rates prevail and European investment is strongly under-represented in spite of the availability of many key commodities in the region, Europe has recently made a special effort of closer cooperation in order to step up trade relations and capital flow. The fourteen foreign ministers (nine from EC and five from ASEAN) met in November last in Brussels and agreed on a package of joint resolutions which add up to a full programme of future activities. A cooperation agreement is under negotiation between the two groups. EC opened recently a diplomatic delegation in Bangkok accredited to all five governments of ASEAN which will look after economic relations with the whole of the region. In February last an important EC/ASEAN conference for industrial cooperation brought hundreds of European business men and bankers to Jakarta. A system of investment protection arrangements will link all Member States of EC to their ASEAN counterparts. Finally an EC/ASEAN trade and investment forum for relevant business organizations of the two regions, comparable to the ASEAN/US and ASEAN/Japan business councils is under preparation.
3. As for China the most spectacular move has been the accrediting of a Chinese Ambassador to EC in September 1975 and the signing of a trade agreement between the Peoples Republic of China and the EC in Spring 1978. Since then visits to China have taken place first by Vice-President Haferkamp accompanied by an important European business delegation, and then by the President of the EC Commission and the President of the European Parliament. The spectacular rise of European exports to China in 1978 may just have been a coincidence and did not change the

order in between the trilateral members in Chinese imports and exports by comparison with former years, i.e. Japan an undisputed first with almost 30%, the EC at around half of this percentage and the US responsible for approximately 5% of imports into China. As for the trade agreement which the EC concluded, it is non-preferential, provides a wide ranging MFN clause, a mutual promise to liberalise and to expand reciprocal trade in a balanced way and contains a consultation and safeguard clause of the mutual kind which Japan refused to the Community in the early 70's.

4. There is probably good reason for me to avoid invoking the shade of this safeguard clause. Nevertheless I cannot resist recalling to those who did not follow these events that the bilateral negotiations between the EC and Japan which intended to settle our overall problems stranded on the rock of the mutual safeguard clause as we were not able to find satisfactory criteria to exclude arbitrary discriminatory unilateral action. It is debatable of course whether such safeguard would have been conducive to a higher degree of export restraint than that which the Japanese government and industries have been applying anyhow of their own free will. Rather the other way round, one might argue that the question of the selective safeguards having not yet been settled either bilaterally or during the Tokyo Round, has left a spectre behind which people who like to make the flesh creep with the threat of protectionism or discrimination will be able to bring out from time to time. Others may look at the whole issue of discrimination in a slightly cynical way: when a professor for international law sometime before World War One was asked for a definition of what non-intervention meant he replied by saying that the definition was about the same as that for intervention; there might be a case for reconsidering the definition of non-discrimination in the same light. Much depends indeed on the way

you look at a given situation and to what extent you are ready to take into account the economic, social and even political problems of your partner. Our Japanese friends - it must be said to their credit - have made considerable efforts to do this in spite of the fact that they were not bound by any precise bilateral or multilateral commitment, since there is no agreed interpretation of what discrimination or selectivity means in the application of art. XIX of GATT.

Instead, it seems to be a very hopeful development that the EC and Japan have embarked on a broad policy of mutual consultation, cooperation and understanding. Regular high level meetings, voluntary export restraint when necessary, fruitful case studies on n.t.b.'s - European and Japanese schemes for scholarships and exchange of people - - promotion of joint ventures - have been some of the major steps marking this way.

2. Looking further ahead the question arises what a Pacific Basin or a Pacific Region of Peace might mean one day in economic terms. Could we expect this region to follow the European example and establish one or several Customs Union or Free Trade Areas? Taking advantage of our own long standing tradition and experience in this field I submit that nothing similar will happen in the Pacific or even if it did that it would not have any far reaching effects. Even in the ASEAN region of five southeast asian countries, most of them pacific, a region to which the EC has accorded some technical assistance in the establishment of custom tariff nomenclature and tariff reduction progress in reducing internal tariffs has been extremely limited. It is difficult to imagine that free countries could lower or abandon their tariffs for japanese or chinese imports. Maybe that, the other way round Japan unilaterally might enlarge its 95P or even abolish tariffs on imports from the pacific region following the example set by the EC for all members of the Lomé Agreement. But after all tariffs have been brought down considerably under the leadership of GATT and will only in marginal cases have a decisive influence on international economic relations; even those who might disagree with this view will certainly accept that the impact of customs tariffs on international trade cannot by any means be compared with the disastrous consequences of monetary fluctuations or inflation. The same could be said about Q.R.'s or other N.T.B.'s which may continue to constitute in certain fields, like agriculture, important obstacles for international trade, and should be attacked in the framework of MTN codes or bilaterally in a permanent effort to achieve a higher degree of marked transparency and access to the consumer. These too like other questions arising from the well known canvas of classical trade policies will continue to draw affection, but have no common denominator with the decisive problems of which depends a common future of our interdependent world.

I refer here to problems of sheer survival for mankind like the North-South imbalance aggravated through the additional danger of unsecured oil supply. To solve these questions will more and more become a precondition for economic stability and development throughout the world. Even so vast an area as the Pacific would not be able to find an independent solution, without being in agreement with the Atlantic world and the countries of the Indian Ocean. But any move to closer economic cooperation inside the Pacific Basin will have its beneficial side-effects on the rest of the world, provided it keeps the basic values of fair competition and free access to markets and commodities alive and strengthens international cooperation and exchange of cultural values, including technology worldwide. These are the essential tasks for our common future. As for the European Community, we are only too eager to contribute to such a laudable effort.

Europe has played its part for more than 2,000 years in the history of mankind. We have seen the Atlantic Community to which or undoubtedly belong to the ones the heavy burden of worldwide responsibilities. In recent years developments have taken place in the Pacific which indicate that the accent in world affairs may shift again. We see this happen without envy but with great interest as we hope that a vast sphere of economic prosperity and peace in the Pacific will almost automatically include Europe and the Atlantic in an interdependent world of tomorrow.

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IMPORTATIONS ET EXPORTATIONS DE LA C.E. EN PROVENANCE ET A DESTINATION DE :

Table 1

	1		2		3		4		5		6		7		8	
	Extra-CE		Japon Corée du Sud Taiwan Hong-Kong		Chine		Pays de L'ASEAN		Australie et Nouvelle Zélande		Colombie Equateur Pérou Chili		1/10 de Canada Etats-Unis Mexique		Total prin- cipaux pays du bassin du Pacifique (col. 2 à 7)	
	Mio UCE	%	Mio UCE	%	Mio UCE	%	Mio UCE	%	Mio UCE	%	Mio UCE	%	Mio UCE	%	Mio UCE	%
	<u>IMPORTATIONS</u>															
1968	46023	100,0	1533	3,3	318	0,7	774	1,7	1601	3,5	931	2,0	1152	2,5	6309	(11,2) 13,7
1973	84306	100,0	5165	6,1	544	0,6	1780	2,1	2350	2,8	909	1,1	1771	2,1	12519	(12,7) 14,8
Δ 73/68		+ 83,2		+ 236,9		+ 71,1		+ 130,0		+ 46,8		- 2,4		+ 53,7		+ 98,4
1978	178267	100,0	13580	7,6	937	0,5	4280	2,4	2863	1,6	1969	1,1	3261	1,8	26890	(13,2) 15,1
Δ 78/68		+ 287,3		+ 785,8		+ 194,7		+ 453,0		+ 78,8		+ 111,5		+ 183,1		+ 326,7
	<u>EXPORTATIONS</u>															
1968	43806	100,0	1470	3,4	444	1,0	969	2,2	1558	3,6	542	1,2	999	2,3	5982	(11,4) 13,7
1973	80673	100,0	3524	4,4	607	0,8	1686	2,1	2001	2,5	738	0,9	1539	1,9	10095	(10,1) 12,1
Δ 73/68		+ 84,2		+ 139,7		+ 36,7		+ 74,0		+ 28,4		+ 36,2		+ 54,1		+ 68,4
1978	173913	100,0	7043	4,0	1489	0,9	3858	2,2	3503	2,0	1373	0,8	2761	1,6	20007	(9,9) 11,1
Δ 78/68		+297,0		+ 379,1		+ 235,4		+ 298,1		+ 124,8		+ 153,3		+ 176,4		+ 234,4

U.S. Exports and Imports: Total and West Coast Customs Regions.
(Million \$)

Table 2a
HIC 100

	<u>1968</u>	<u>1973</u>	<u>1978</u>
1. <u>US Exports</u> <u>Total</u>	34413	71314	143660
2. From West Coast Customs Regions	5322	12843	26335
3 (2 as % of 1)	15.5	18.0	18.3
4 <u>US Imports</u> <u>Total</u>	33114	69121	173290
5 To West Coast Customs Regions	4744	12983	34164
6 (4 as % of 3)	14.3	18.8	19.7

US Exports and Imports to Western Europe: Total and West Coast Customs Regions
(Millions \$)

	<u>1968</u>	<u>1973</u>	<u>1978</u>
US Exports to W. Europe			
1. Total	10 934	21 360	39 936
2. From West Coast Customs Regions	1 145	2 400	3 744
3 (2. as % of 1.)	10.5	11.2	9.4
US Imports from W. Europe			
4 Total	10 133	19 162	36 961
5 To West Coast Customs Regions	861	2 121	4 052
6 (4 as % of 3)	8.5	11.1	11.0

Source: US Dept of Commerce - "Highlights of US Export and Import Trade."

Origines	Importations totales tous produits				Importations sous SPG							
	01 à 24	50 à 63	25 à 49 et 64 à 99	01 à 99	01 à 24			25 à 99				01 à 99
					S (2)	Q.S. (2)	N.S.	S	H	Q.S.	N.S.	
Extra CEE	29.357.143	10.849.929	32.965.525	173.172.597			1				2	
Classe 2	15.743.606	4.808.979	54.591.427	75.144.012								
A.C.P.	5.268.480	316.771	6.899.502	12.484.753								
Bénéficiaires (1)	15.572.306	5.031.944	55.267.839	75.871.963	360.371	57.295	645.543	384.504	122.988	1.256.572	1.019.776	3.847.049
dont :												
Yougoslavie	238.202	336.298	965.756	1.540.256	-	-	11.965.	35.893	18.461	184.041	185.414	435.774
Malaysia	343.619	67.124	919.268	1.330.011	68.407	-	223.075.	21.455	275	27.442	19.595	360.249
Hong Kong	21.057	1.013.816	957.396	1.992.269	-	-	1.686.	26.549	46.444	93.124	173.414.	341.217
Inde	552.213	437.610	650.913	1.640.736	15.175	946	20.870.	68.205	3.749	93.596	122.736.	325.277
Corée du Sud	89.475	507.499	660.860	1.257.834	7.644	-	2.971.	76.873	36.147	86.471	95.181.	305.287
Brésil	2.247.154	211.271	996.301	3.454.726	71.843	767	44.536.	28.001	4.946	47.954	106.937.	304.984
Roumanie	147.707	172.273	683.140	1.003.120	371	-	4.450.	-	213	180.851	62.046.	247.931
Philippines	324.688	66.833	171.903	563.424	32.752	-	57.913.	17.377	1.004	14.804	10.331.	134.181
Vénézuéla	27.184	435	482.592	510.211	-	-	1.143.	209	-	120.348	6.178.	127.878
Singapour	34.772	112.218	481.561	628.551	610	-	5.704.	24.168	4.118	32.003	57.314	123.917
Indonésie	449.855	3.293	403.491	856.639	452	53.097	61.668.	574	28	219	4.590.	120.628
Thaïlande	487.564	90.152	173.300	751.016	26.919	-	22.662.	19.047	745	32.741	16.768.	118.882
Argentine	1.428.023	134.241	226.748	1.789.012	5.688	-	29.986.	13.648	305	16.067	47.699.	113.393
Pakistan	57.401	134.555	81.684	273.640	2.312	-	15.312.	22.169	137	68.733	3.821.	112.484
Mexique	163.863	62.298	202.466	428.627	7.010	127	15.463.	5.043	2.346	15.978	43.656.	89.623
Colombie	601.041	55.157	56.637	712.835	4.209	2.326	1.245.	7.923	32	2.234	2.697	20.666
Pérou	60.657	41.409	202.013	304.079	39	-	13.246.	1.617	29	1.017	1.865	17.813
17 Pays	7.274.475	3.446.482	8.316.029	19.036.986	243.431	57.263	533.895	368.751	118.979	1.017.623	960.242	3.300.184
% 17 Pays/ bénéficiaires	46,7 %	68,5%	15,0%	25,1%	67,6%	99,9%	82,7%	95,9%	96,7%	81,0%	94,2%	85,8%

(1) Pour ce tableau, bénéficiaires = classe 2 - TOM - COM - Taiwan + Yougoslavie + Roumanie;

(2) Calculs effectués sur la base de valeurs moyennes.

Source : S.C.E.

EXPORTATIONS ET IMPORTATIONS DE LA CEE VIS-A-VIS DES ACP ET DES TOM DU PACIFIQUE

Table 4

MILLIONS D'UCE

Code
geonom.

	EXPORTATIONS			IMPORTATIONS		
	1976	1977	1978	1976	1977	1978
<u>A.C.P.</u>	<u>46,2</u>	<u>53,0</u>	<u>62,3</u>	<u>211,9</u>	<u>309,0</u>	<u>341,2</u>
(801) Papouasie/Nouvelle Guinée	17,9	25,9	27,9	165,2	225,1	217,2
(815) Fidji	26,1	24,7	29,9	41,2	74,7	117,3
(817) Tonga	1,1	0,8	1,1	3,2	4,0	2,7
(819) Samoa occidentale	1,1	1,6	3,4	2,3	5,2	4,0
<u>T.O.M.</u>	<u>216,3</u>	<u>242,2</u>	<u>248,4</u>	<u>193,1</u>	<u>189,1</u>	<u>110,8</u>
(703) Brunei	32,7	40,4	34,1	0,7	1,7	1,1
(809) Nouvelle Calédonie et dép.	103,5	107,9	100,7	179,0	167,4	92,9
(811) Iles Wallis et Futuna	0,2	0,2	1,0	0,1	0,0	0,0
(816) Nouvelles Hébrides	5,6	6,5	7,7	7,7	14,4	11,1
(822) Polynésie française	74,3	87,2	104,9	5,6	5,6	5,7