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OPENING STATEMENT

BY WILHELM HAFERKAMP,

VICE-PRESIDENT OF THE EEC COMMISSION,

ON THE OCCASION OF THE JOINT COOPERATION COMMITTEE

IN MANILA, 28 NOVEMBER 1980

Mr. Chairman,
Minister Ingles,
Your Excellencies,
Ladies and Gentlemen,

More than seven months have passed
since ASEAN and EEC Ministers
have signed the Cooperation Agreement
and adopted the Joint Declaration on economic issues
in Kuala Lumpur.

In that declaration

"the Ministers agreed on the need
to maintain free and open trading conditions",
as well as on the need
to develop, expand and diversify trade
between the Community and ASEAN to the fullest
possible extent.

They also agreed

on promoting suitable arrangements among economic operators
concerning long-term supply of raw materials
and commodities.

They noted progress

They noted progress

made towards the establishment of the EC/ASEAN business council

and expressed their willingness

to cooperate on projects in agriculture and food production.

In Kuala Lumpur we recognized the Cooperation Agreement

to be an important stepping stone in international cooperation.

We fully supported the contribution

which ASEAN makes to the political and economic stability in this part of the world.

Today we meet

in order to take stock of what has been done during the past 7 months

in view of strengthening the cooperation between the European Community and ASEAN.

But we are here above all

in order to agree on practical ways of implementing

- to our mutual benefit -

the agreement

that was signed on March 7 in Kuala Lumpur.

During the past seven months

During the past seven months

we unfortunately all witnessed no improvement
in the political and economic climate of the world.

The two major political issues

with which we were confronted in Kuala Lumpur

- invasion of Afghanistan and Kambodia -

are still with us unsolved.

We profoundly regret this.

In addition,

new crises have clouded the horizon in the Middle East

where the tensions and hostilities continue
to shake the world.

Nor has the world become brighter

if we look at the economic scene.

The 1979 increase in the oil price continues
to take its toll.

The oil price is now ten times higher

than it was before the first oil crisis in September 1973.

No other commodity

No other commodity has ever known a steeper price increase in such a short period of time.

All oil importing countries,
rich or poor,
feel the crunch of the oil bill.

The balance of payments problems of many poor countries
create major strains
for the continuation of their development programmes
and their urgently necessary economic growth.

The international financial system is coming under increasing pressure.

How long will the private banking institutions
in Europe,
in the USA
and in Japan

be willing and financially able
to recycle the annual OPEC payments surplusses
which might be in the order of 125 billion Dollars
in each of the years 1980 to 1985?

The world economic crisis

The world economic crisis

has also severely hit the European Economic Community.

Economic growth

has practically come to a standstill.

Industrial production

is either stagnating

or in certain Member Countries falling as drastically
as in the years 1929 to 1931.

Unemployment

has reached an unprecedented peak

of more than 7 million

or about 7 % of the civilian labour force.

Our budgets

have come under most severe strain

as a consequence

- of stagnating tax revenues
- and increasing expenditures for unemployment benefits
- and structural adjustment.

The Community's balance of payments

The Community's balance of payments deficit
will reach an all-time record
of almost 50 billion Dollars in 1979.

Our inflation rate of 12 %
will be higher than ever before,
except in 1975.

Our industries
are undergoing major pressures
because of slackening internal demand
and increased competition from third countries,
both industrialized and newly industrialized.

These severe economic difficulties
have created a generally protectionist mood
in large segments of our industry.

This is only natural given the circumstances.

Under these conditions it is a remarkable achievement
that the Community (as well as other industrialized countries)
have so far courageously resisted the protectionist pressures
coming both from business and also from the labour unions.

I must underline here

I must underline here very clearly

that despite all pressure

to which we are daily exposed,

there have been taken, in fact, no protectionist measures
by the Community restricting exports of ASEAN countries.

On the contrary,

following the multilateral trade negotiations,

the Community has proceeded with a first lowering of the duties
according to the agreed schedule.

Three days ago

the Community has further agreed

to extend its scheme of generalized tariff preferences

in favour of developing countries

for another 10 year period.

Again the Community has been the first among industrial countries

to have taken such a commitment

despite its present economic difficulties.

The Community will continue

The Community will continue

to offer the benefit of its GSP system
to all developing countries

whatever their level of industrial development.

This should be considered

as a major gesture on the part of the Community to ASEAN
and some other relatively advanced developing countries.

However,

let me also say quite frankly,

that further improvements of the Community's GSP
are not very likely to be forthcoming

as long as our economic difficulties persist.

I hope

that you will appreciate the great effort

which the Community undertook

in renewing its preference scheme beyond the
initial 10 year period

and thereby setting again an example
for other industrialized countries.

There is no doubt

There is no doubt

that ASEAN has been among the major beneficiaries of the Community's preference scheme.

The favourable access

which it allows to the Community market has no doubt been instrumental in the quadrupling of ASEAN's exports of manufactures to the Community since 1973.

Today,

the manufactures

- not raw materials -

constitute ASEAN's major exports to the Community.

I know that there have recently been difficulties

related to ASEAN exports of textiles into the Community.

But here again

I cannot but recall the enormous growth of textile imports from the ASEAN countries.

" In 1979 Community imports were eleven times higher than in 1973.

Thanks to that extraordinary development

Thanks to that extraordinary development

textiles had become the fifth largest item
in Community imports from ASEAN
(476 Million US \$).

In 1980 growth of Community textile imports from ASEAN continues
rather rapidly.

We expect total imports to be some 10 % higher than in 1979.

This is far more

than the 6 % annual growth rate of imports
fixed under the Multi Fibre Agreement.

Our textile industry

is one of the hardest hit
by the present economic crisis.

Consumption of textiles in the Community stagnates largely

because the increasing share of energy related expenditures.

As imports continue to grow

our industry is forced to cut back production.

In principle we do favour this process

which we consider to be part of the new international
division of labour.

However, we should all be aware

However, we should all be aware

that there are limits to the pace

at which industrial restructuring is able to take place.

The Community will, therefore, most probably

have to ask for a renewal of the Multi Fibre Agreement

which expires at the end of next year.

We hope

that during the forthcoming negotiations

we can count on the support of the ASEAN countries.

Looking at the trade development in general,

we observe the continuation of the dynamic pattern even in

Community imports from ASEAN in the first half of 1980

were 38 % above the level of the first six months 1979.

During the same period,

EEC exports to ASEAN progressed only by 19 %.

This confirms the development

towards an increasing trade imbalance

between the Community and ASEAN

that we observe since 1976.

In 1980 ASEAN might register

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ASEAN might register a trade surplus of 3.5 billion US \$
with the Community,

compared to 1 billion \$ in 1979

and less than 0.4 billion \$ in 1978.

I do by no means want to dramatize this evolution.

But we should be aware of it.

Certainly a trade deficit in that magnitude

can hardly reflect protectionist policies
on the part of the Community.

It is also encouraging to note

that despite its budgetary problems

the Community has decided this week

to increase the budgetary appropriations
for development aid to countries in Asia
and Latin America.

Since the beginning of that aid programme

Since the beginning of that aid programme in 1976,
Community funds committed to ASEAN have increased
from mere 1.5 Million Dollars in 1976
to 38 Million Dollars in 1980.

We hope that we shall be able
to provide for a further increase of Community
financial aid in 1981.

As to Community aid for trade promotion

I can also assure you

that following your requests
there will be a further increase.

Here again ASEAN is the main beneficiary
of the Community programme.

Finally, I can also announce our intention

to continue our food aid programme to those ASEAN countries
who are still in a difficult food situation.

This - combined with the financial aid for agricultural projects -
should help

to further improve the food supply to your rising population.

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I stress these points

I stress these points

in order to demonstrate

that the Community is determined

to promote economic development in the ASEAN region,

both by keeping access to the Community market
as open as possible

and by assisting your development programmes
through public financial resources.

Community action may fall short of your expectations,

especially as far as financing industrial ASEAN projects
are concerned.

However, such financing

seems to be beyond the scope of traditional official
development assistance.

For such projects

we should rather consider financing through private banking
sources or through semi-official banking sources
within the Community and in the OPEC countries.

We are, however, willing

to play a catalyst role

if you so desire and if we can do so.

As governments and officials

As governments and officials we can do no more than lay the ground work and create the conditions in which private operators should become active.

Both the ASEAN countries and the Community essentially rely on the private sector for carrying out business.

That is why we encourage as many business contacts as possible between ASEAN and the European Community.

we put great hope in the EEC/ASEAN business council.

There will be a first visit of the European business side to your region in the next few weeks and we hope

an informal meeting of major businessmen interested in reciprocal trade and investment could be arranged in Brussels by the middle of next year.

We also note with satisfaction

that a European mission from the mining sector will tour your countries in the very near future.

We have taken good note

We have taken good note

of your interest in further investment tours
from European operators

and we also think

that a further business conference

similar to the Djakarta conference,
but specialized in certain fields,

might usefully be organized in 1982.

We are confident

that there is much more scope for cooperation
between the two regions.

Such cooperation should in principle embrace all economic
activities

as is spelled out in the cooperation agreement.

The Community is willing

to play its part

in encouraging such mutual cooperation
to the best of its possibilities.

Let me, therefore, conclude

Let me, therefore, conclude with the hope

that this first meeting of the Joint Commission
under our new agreement

will offer some concrete guidelines
and agree on a number of actions

through which the two regions can grow
closer to each other.

I am confident

that the spirit of trust, friendship and pragmatisme

which has always inspired our work

will once again produce positive results.