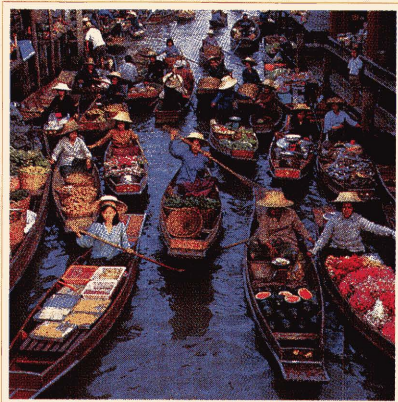




THE EUROPEAN  
COMMISSION



# EU-ASEAN Relations: A Growing Partnership







EU-ASEAN  
RELATIONS:  
A GROWING  
PARTNERSHIP

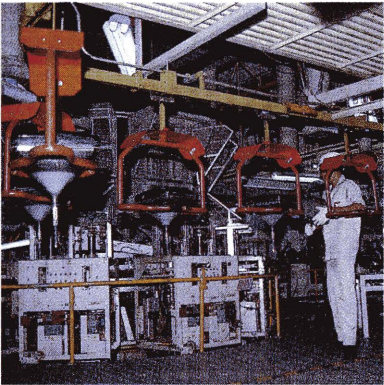
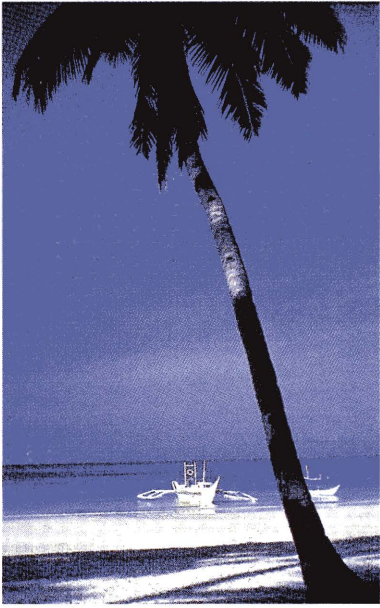
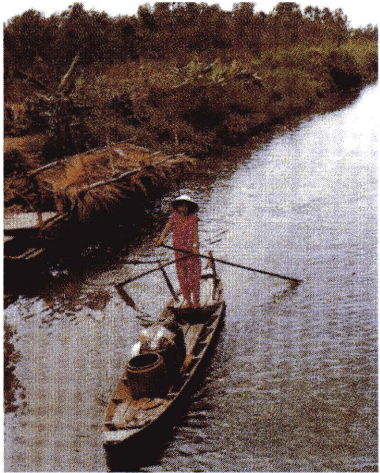
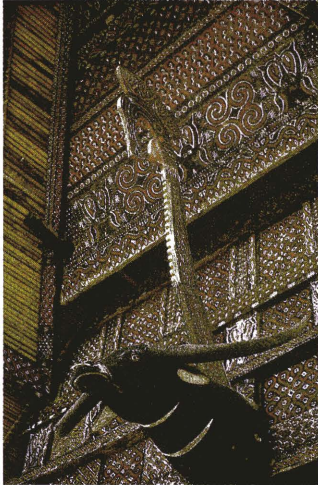


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## FOREWORD

This is the information age - there is so much of it, it threatens to bury us. And yet information gaps remain. Some of the biggest have to do with Asia, and more especially with the seven-nation Association of Southeast Asian Nations (ASEAN). Very few know that the European Union (EU) has built up an extensive network of commercial, economic and even political relations with ASEAN over the years, or that the two-way trade between them has expanded every year but one since 1980.

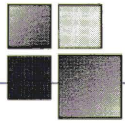
This information gap is a matter of concern to the EU. As the world's largest trading power it cannot afford to neglect either the dramatic changes that are reshaping both regions or the fast-growing opportunities for trade and investment in the ASEAN countries.

Far from representing a threat to the EU's prosperity, Asian economic dynamism offers the EU fresh opportunities for growth. The Commission, the European Communities' (EC) executive arm, recognised in its 1993 White Paper, 'Growth, competitiveness, employment', that each major burst of growth in the European economies started with a qualitative leap in international trade. For the Commission, we are perhaps witnessing today the beginnings of an equally important leap forward, with the very rapid integration into world trade of developing economies and the former Communist countries.

This publication describes how the relationship between the EU and ASEAN is rapidly changing. What was essentially a donor-recipient relationship when the EC-ASEAN Cooperation Agreement was signed in 1980, is now seen as a partnership by both sides.

This publication is aimed at the general reader; it outlines the main features of the EU-ASEAN relationship. Another publication, "EU-ASEAN relations: the facts", is designed for those with a professional interest in this relationship; it is both more detailed and technical.





## EU-ASEAN RELATIONS A BIRD'S-EYE VIEW

**Q. Why ASEAN? After all, how many Europeans even know what the letters stand for?**

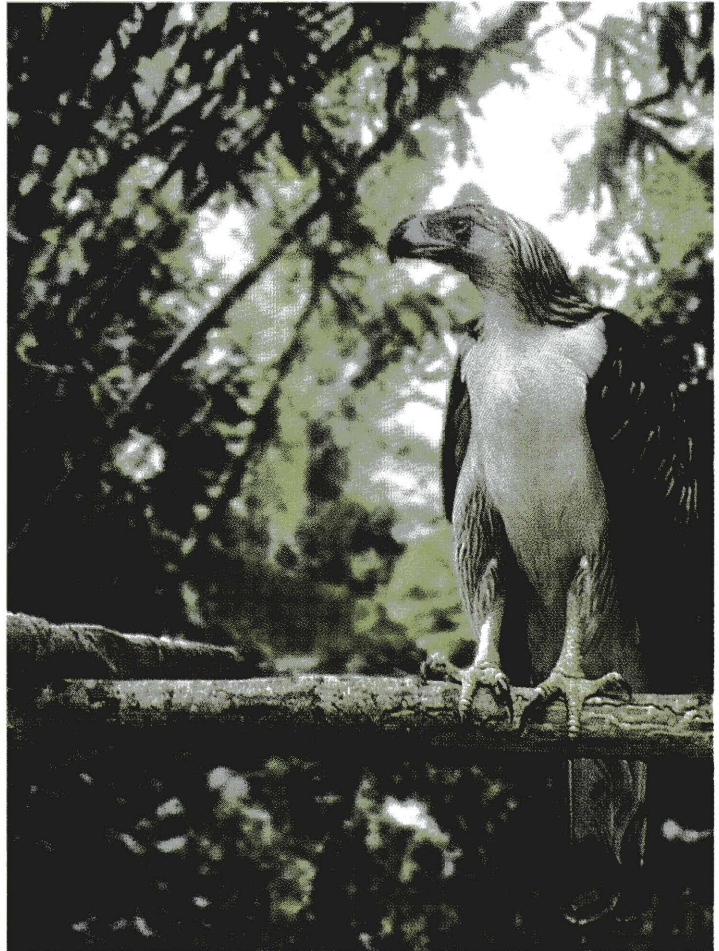
A. Ignorance is no excuse, because in today's interdependent world no one can afford to ignore the seven-nation Association of Southeast Asian Nations. With a total population of 400 million, following the accession of Vietnam in the summer of 1995, and a combined GDP of more than ECU 450 billion, ASEAN is an important market for European goods and services and offers a springboard to the dynamic Asia-Pacific region.

**Q. And is ASEAN interested in the European Union?**

A. The European single market with its 370 million consumers is a major outlet for ASEAN exports. ASEAN's exports to the EU have expanded faster than its exports to any other market in the world since 1984. Thus, through its trade policies, the EU has contributed in no small measure to the success of ASEAN's export-led drive for economic growth. Our long and fruitful relationship is largely due to the fact that we have much to offer each other.

**Q. Just how important a trading partner is ASEAN for the EU?**

A. ASEAN accounted for just 5.2% of the EU's total exports in 1994 (compared with 4.9% for Japan, and 17.6% for the USA), but we are ASEAN's third largest trading partner. Our two-way trade has grown four-fold since the signature of the 1980 EC-ASEAN cooperation agreement. It stood at nearly ECU 58 billion in 1994. We trade more with ASEAN than with the 70 developing countries linked to us through the Lomé Convention, which is the most favourable of all our trade and aid agreements with developing countries.



In keeping with the rapid industrialisation of the ASEAN countries, some three-quarters of their exports to the EU now consist of manufactured products, including garments, on the one hand, and electronic products for both home and office on the other. The EU is now ASEAN's second largest export market for manufactures, after the US.

Although the EU has run an uninterrupted trade deficit with ASEAN since 1985, it is clear that the ASEAN countries will have to build up their economic infrastructure very quickly if the pace of economic growth is to be sustained. Their demand for capital goods is bound to grow. The steady rise in living standards means that the market for consumer goods will also grow.





The ASEAN countries recognise the need to keep their economies open to imports and investments. They played a major role in the Uruguay Round of GATT, setting an example for other developing countries. ASEAN can be expected, therefore, to follow open-market policies as it puts into place the ASEAN Free Trade Area (AFTA). The EU welcomed the launching of AFTA in 1993 and has offered its experience to support the process.

**Q. Growth in EU-ASEAN trade and investment depends, quite frankly, more on businessmen and investors in the two regional groupings than on government intervention. What is the EU doing to encourage businessmen to seize the opportunities on offer?**

A. It is helping them directly through the European Community Investment Partners (ECIP) scheme and the European Business Information Centres (EBICs). Small and medium-sized enterprises in particular can do with a helping hand, such as that provided by the ECIP scheme. More than 150 projects had been approved in ASEAN countries by mid-1994 under the EU funded scheme set up to provide seed money to EU and ASEAN companies wanting to enter into joint ventures and other forms of collaboration.

But the EU is also helping EU firms do business in less direct ways. It is funding an EU-ASEAN industrial standards programme, setting up an ASEAN-EU Management Centre in Brunei and encouraging technology transfers by the creation of regional technology centres, to serve as windows for European

technology services in growth areas. Such economic cooperation, in EU jargon, is the natural complement to its efforts to ensure a favourable trading and investment environment.

Although entrepreneurial skills and dynamism are very important, to be successful they need open markets and an effective regulatory environment. This is particularly true as regards the protection of investments and intellectual property rights (IPR).

The EU has been active on two fronts. To stay with intellectual property rights, the EU has been discussing with ASEAN the early implementation by its members of the Uruguay Round agreement on Trade Related Intellectual Property Systems (the so-called TRIPS agreement). At the same time the EC has undertaken a cooperation programme in the field of patents and trademarks. It has also proposed the creation of an ASEAN Centre for IPR, and studies for a new copyright programme.

**Q. All this suggests that rising living standards have made development aid largely unnecessary. What is the scale of the EU's development assistance to ASEAN?**

A. The EU's development aid is now largely concentrated on Indonesia and the Philippines. The main goal is poverty alleviation, through forest-protection projects in the first case and rural development in the second. The EU is also funding projects in health and education. However, with ASEAN now seeking to raise living standards in Vietnam, Laos, Cambodia and perhaps even Myanmar, the EU has proposed joining forces to help these countries make a smooth transition from state-controlled to market-oriented economies.

The EU is also cooperating with ASEAN in areas of global concern, two of which are now central to the ASEAN relationship. They are the environment and drugs. Sustainable development and environmental protection clearly go hand in hand, and the EU is developing forest-protection programmes which combine continued economic growth with higher local value added, conservation and sustainable management.



The EU is committed to the fight against drugs and money laundering, and to the prevention of drug abuse. An agreement with ASEAN to control the trade in chemical precursors is hoped for, so as to deny drug traders chemicals normally used in such perfectly respectable industries as paint manufacture.

**Q. No relationship going back some 20 years is free of ups and downs. What are some of the downs in EU-ASEAN relations?**

**A.** Both sides have tried to avoid sterile disputes in order to provide an environment which favours two-way trade and investment, as well as promoting an expanding political dialogue with which both partners can feel comfortable. What matters above all is the willingness to continue to develop friendly relations and mutual awareness, and to achieve a growing co-operation in solving problems of an economic, social or political character.

On the political side, there are obviously certain issues where the EU and ASEAN countries have different viewpoints. However, both sides have shown a willingness to consult periodically with each other, to increase reciprocal understanding, and to aim for mutually beneficial solutions based on consensus.

On the trade side likewise, and notwithstanding the rapid growth in our two-way trade, there have of course been the usual disputes, generally over market access. For example, individual ASEAN countries have been unhappy about the EU's reform of its generalised system of tariff preferences, while the EU has called for the elimination of non-tariff barriers in ASEAN, including some which hamper the export of raw materials, such as mineral ores and hides and skins. For these trade issues, a regular dialogue has been put in place, again with a view to facilitating the identification of mutually-beneficial solutions.

**Q. If you take the first EU-ASEAN ministerial meeting as its starting point, EU-ASEAN political cooperation dates back to 1978. Why was it necessary to give a political dimension to an essentially commercial relationship?**

**A.** This long-running political dialogue, in which all EU and ASEAN foreign ministers

take part periodically, was launched in recognition of the important contribution being made by ASEAN to regional, and therefore global, security. Regular meetings allow both sides to exchange views on key regional and international issues, thus gaining a better appreciation of each other's position. At the same time these meetings create the political will needed for successful commercial and economic cooperation.

**Q. What of the future direction of EU-ASEAN relations, as the EU replaces its earlier, somewhat piecemeal and ad hoc approach to Asia with a more coherent and comprehensive strategy?**

**A.** The EU-ASEAN dialogue has gained in importance with the end of the cold war and with Asian demands for a bigger role in international affairs, in keeping with their growing economic weight. At a time of unparalleled political fluidity, our dialogue represents both a model and a cornerstone, as the EU seeks to develop its political dialogue with the Asia-Pacific region.

However, the EU must now raise its profile in the ASEAN countries, and ASEAN raise its own profile in the EU. This is necessary in order to win public support for their political cooperation and greater private sector involvement in their economic cooperation.







## A BRIEF LOOK AT THE EUROPEAN UNION AND ASEAN

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### THE EUROPEAN UNION

The origins of today's 15-nation European Union are found in the European Coal and Steel Community (ECSC), launched after the Schuman Declaration of 9 May 1950, by Belgium, France, Germany, Italy, Luxembourg and the Netherlands. The Six then set up the European Economic Community (EEC) and the European Atomic Energy Community (Euratom) in 1958, forming the European Communities or EC. When the Treaty on European Union (signed in Maastricht in 1992) came into force in 1993, the EC came to be generally called the EU.

Membership has evolved gradually also. The Six were joined by Britain, Denmark and Ireland in 1973, by Greece in 1981, and by Spain and Portugal in 1986. In 1995, the Twelve became the Fifteen, with the entry of Austria, Finland and Sweden.

The main EU bodies are: the European Parliament, with 626 members directly elected every 5 years; the European Council, bringing together heads of state or government twice yearly to consider major political issues; the Council of Ministers, bringing together ministerial representatives from each Member State to transact the normal business of the EU; the European Commission, with 20 appointed members and a staff of some 17,000, acting as the executive branch of the Union; and the Court of Justice, which rules on questions of Community law. Under the Treaties, legislative proposals must originate with the Commission, and are decided by the Council of Ministers after the Parliament has expressed its opinion.

The powers of the Parliament, in addition to its traditional powers over the EC budget, have in fact increased considerably in recent

years, with the introduction in certain fields by the 1986 Single European Act of a cooperation procedure, and of a co-decision procedure by the Maastricht Treaty of 1992.

Decisions in the Council are generally made by qualified majority voting (with the votes of each country weighted to reflect population size), though decisions in a number of key areas still require unanimity. The Presidency of the Council rotates among Member States on a 6-monthly basis.

The Commission is also seen as the guardian of the Treaties, and can initiate infringement proceedings against a Member State, a private company or a citizen, and refer matters to the Court of Justice. An impartial body, its Members are required to act in the sole interest of the EU as a whole. Its services (organised into more than 20 Directorates-General) have to deal with a very large variety of Europe-wide policies, both internally and in the field of external relations.

The Court of Justice reviews the legality of acts adopted by the Council or the Commission, and rules on questions of Community law referred to it by national courts. It also rules on national legislation which is alleged to be incompatible with EU law, and on complaints brought by companies or individuals regarding decisions taken by the Community.

Other important EU bodies include: the Economic and Social Committee, representing employers, workers and numerous other groups; the Committee of the Regions, representing local and regional authorities; and the Court of Audit, responsible for monitoring the revenues and expenditures of the EU. The European Investment Bank finances investments promoting the balanced development of the EU, while the European Monetary Institute (set up in 1994 under the Maastricht Treaty) is preparing the ground for the planned Economic and Monetary Union (EMU).

**NOTE:** *European Union (EU) or European Community (EC) ? The EU came into being on 1 November 1993, when the Maastricht Treaty on European Union came into force. It covers three areas or "pillars": the economic and social aspects covered by the original European Communities set up in the 1950s (EEC, ECSC, Euratom), plus the Common Foreign and Security Policy (CFSP) and the justice and home affairs cooperation. The European Community is part of the first pillar and is responsible for cooperation and related agreements.*





## ASEAN

The Association of South-East Asian Nations (ASEAN) was established in 1967, following the adoption of the ASEAN Declaration by the foreign ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei Darussalam joined ASEAN in 1984 and Vietnam in 1995. The seven-nation ASEAN has a land area of 3.3m sq. km. and a total population of just over 400 million, making it somewhat larger than the 15-nation European Union in terms of both area and population.

Under the terms of the ASEAN Declaration, the Organisation's three main objectives are to (1) promote the economic, social, and cultural development of the region through cooperation; (2) safeguard its political and economic stability against great power rivalry and (3) serve as a forum for the resolution of intra-regional differences.

The ASEAN Declaration also endowed the Organisation with its main institutions. The foreign ministers of the seven countries meet annually as the ASEAN Ministerial Meeting (AMM), in order both to make policy and to oversee its implementation. The ASEAN Standing Committee, which is chaired by a foreign minister, maintains continuity between the annual AMMs. Ad hoc committees and permanent committees, made up of specialists or officials, are created to deal with specific subjects. Each member country has its own national secretariat dealing with

ASEAN matters. An ASEAN Secretariat was set up in Jakarta in 1976, as a central coordinating body and a channel of communication between ASEAN governments, committees and other bodies.

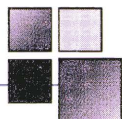
ASEAN heads of state and government first met in 1976 in Bali, when they signed the Declaration of ASEAN Concord and the Treaty of Amity and Cooperation in South-East Asia. This summit meeting is now ASEAN's highest authority. Economic ministers have been meeting since 1975 to review the progress of intra-ASEAN economic cooperation and examine recommendations for promoting such cooperation.

ASEAN preferential trading agreements were concluded in 1977 in order to accelerate the liberalisation of intra-ASEAN trade and investment. ASEAN economic ministers agreed in 1990 to apply a common effective tariff on a number of industrial products (cement, fertilisers, pulp). Two years later, the 4th ASEAN summit meeting agreed formally to set up the ASEAN Free Trade Area and extended the 1990 preferential tariff scheme in support of it.

Cooperation among the ASEAN countries is not limited to the economic sphere, of course. Health and labour ministers have been meeting under the programme of social cooperation, and the ASEAN countries cooperate in drug control. There is a programme to preserve and revitalise the region's cultural heritage. The 1994 ASEAN action plan for science and technology covers cooperation in such areas as food science and technology, micro-electronics, biotechnology and non-conventional energy research.

The first Post-Ministerial dialogue with non-ASEAN countries took place in 1977. ASEAN foreign ministers now meet annually with their counterparts from Australia, Canada, the Republic of Korea, the European Union, Japan, New Zealand, and the United States. During these Post-Ministerial Conferences (PMCs), held immediately after the ASEAN Ministerial Meeting, ministers discuss and exchange views on international and regional issues, as well as economic and trade issues. The ASEAN Regional Forum (ARF) was created in 1993 to discuss regional security issues and has met twice in Bangkok (1994) and Brunei Darussalam (1995).



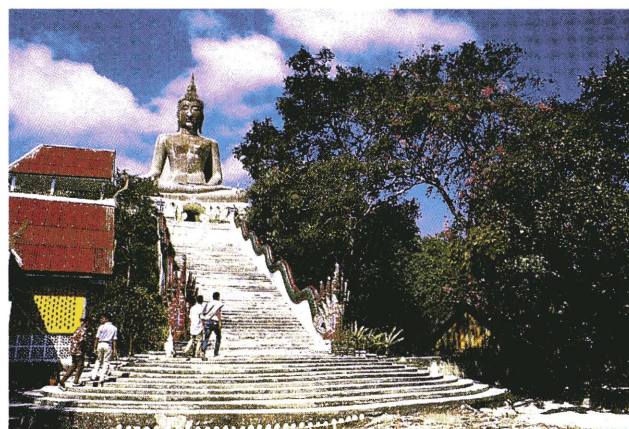


## EU-ASEAN RELATIONS AT A TURNING POINT

Relations between the EU and ASEAN are at a turning point because of changing attitudes and perceptions on both sides. The sustained economic growth achieved by the ASEAN and other Asian countries has generated a wave of self-confidence. As a result, these countries feel less dependent on Europe, whether for capital or know-how, and more assertive of their right to a greater say in the conduct of both regional and world affairs.

Changing Asian attitudes have been matched by a corresponding change on the European side. EU ministers and officials recognise that the time has come to replace the donor-recipient relationship with one based on partnership. The discussion paper, 'Towards a new Asia strategy', which the European Commission sent the Twelve in mid-1994, proposed 'a partnership of equals, capable of playing a constructive and stabilising role in the world'.

The 11th EU-ASEAN meeting of foreign ministers, held in Karlsruhe in September 1994, was marked by the 'Karlsruhe drive', a



determination to strengthen the existing relationship in a spirit of greater equality and partnership. This will require a considerable effort on both sides, however, because the pace of change is accelerating, whether in Europe or Asia, and the way ahead is less clear than just a few years ago.

To help them chart a path through this changing landscape, the Karlsruhe ministerial meeting agreed to set up an informal eminent person group to develop a comprehensive approach to EU-ASEAN relations for

### The institutional framework

Effective cooperation requires regular channels of communication. These are provided, in the present case, by a framework of institutions in which both the EU and ASEAN are represented. The main institution is the Joint Cooperation Committee (JCC), set up under the 1980 Cooperation Agreement, to promote cooperation activities as well as con-

sultation on furthering the aims of the agreement itself. By 1994 the JCC had decided to set up five sub-committees, to deal with trade, science and technology, economic and industrial cooperation, narcotics and forestry.

The EU is represented on the JCC by the European Commission, supported by representatives of the Member States. The JCC meets every 18 months, but there are frequent contacts between the ASEAN Brussels Committee (ABC), which is made up of the ambassadors of the ASEAN countries to the EU, and the European Commission.



the year 2000 and beyond. The group was expected to draw up not only strategies to enhance economic relations but also proposals for broadening the on-going political dialogue and intensifying scientific and cultural exchanges. Its 16 members would be drawn from both the private and public sectors, with nine of them being nominated by the EU and seven by ASEAN.

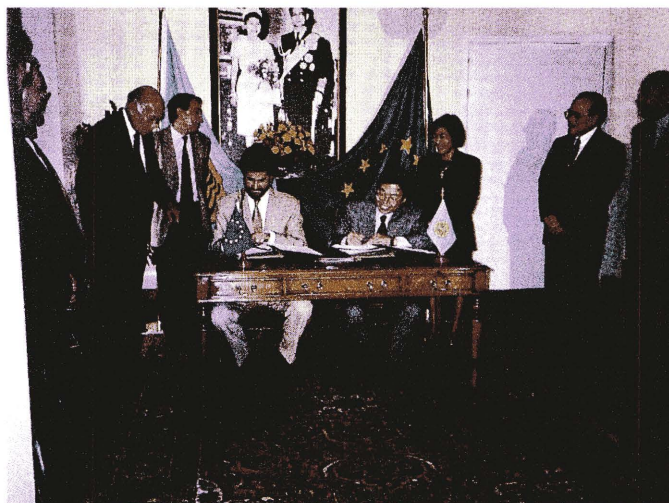
Both regions are now organizing the first Europe-Asia Meeting, which will be held in Thailand in the spring of 1996. For the first time ever the heads of state and government of ASEAN, the EU, China, Japan and the Republic of Korea will meet.

Both the EU and ASEAN face daunting challenges at home. The 15-member EU must not only integrate its three new members but be prepared to re-examine its goals during the intergovernmental conference in 1996 and lay the foundations for the eventual entry into the EU of up to half a dozen Central and East European countries, around the turn of the century. At the same time, it must greatly strengthen its existing preferential relations with the countries of the southern Mediterranean, partly in order to secure its southern borders against uncontrolled population flows and the rise of integrist extremisms.

ASEAN, too, has an enlargement programme, which started with the entry of the neighbouring state of Vietnam in 1995, and envisage, at a future date, that of Laos, Cambodia and perhaps even Myanmar. At the same time the ASEAN countries have been

expanding their trade with the East Asian countries and investing in the transitional economies of Vietnam and China. China's rapid economic growth offers the ASEAN countries trade and investment opportunities as well as greater competition with regard to export markets in the West. It also poses some security concerns.

The challenge facing both the EU and ASEAN is to create strong regional groupings and at the same time strengthen their existing relations for their mutual benefit. An EU-ASEAN partnership would provide the EU a strong footing for the implementation of its nascent Asia strategy and give ASEAN an equally sound base for seizing the economic opportunities offered by the opening up of the countries of Central and Eastern Europe, as they seek to join the world economy.

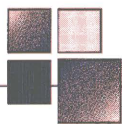


Political impetus has been provided by the meetings of the foreign ministers of the EU and ASEAN countries. These meetings, the first of which took place in 1978, were initiated by the governments themselves, and cover both economic and political issues. They are supplemented by EU-ASEAN Senior Officials Meetings (SOM), at which the EU governments are represented by their political directors. Its first meeting took place in Singapore in May, 1995. Several important issues were identified for the political and economic dialogue at the senior officials level. The European Commission is repre-

sented at both sets of meetings.

The EU is one of the seven 'dialogue partners' who attend the ASEAN Post-Ministerial Conference (PMC), held immediately after the annual meeting of ASEAN foreign ministers to discuss political and economic issues. The EU is represented at these meetings by its 'troika' of foreign ministers and the European Commissioner responsible for relations with ASEAN. The 'dialogue partners', together with other guests, also attend meetings of the ASEAN Regional Forum, set up in 1994 to discuss regional security issues.





## A LONG-ESTABLISHED POLITICAL DIALOGUE

ASEAN's political importance is reflected in the level and frequency of political contacts between ASEAN and the EU.

The Foreign Ministers of the EU and ASEAN have met regularly since 1978, and the first of these meetings paved the way for the EU-ASEAN Cooperation Agreement signed in 1980. (More recently negotiations to upgrade this Agreement have been held up over the issue of East Timor, annexed by Indonesia in 1975.)

The EU also participates fully in the annual ASEAN Post-Ministerial Conference, and in the recently-established ASEAN Regional Forum. The Europe-Asia Summit (Bangkok, March 1996) at the level of Heads of State or Government will take this long-standing political dialogue to a higher level.

At the Parliamentary level also a substantial political dialogue has developed. Regular meetings between the European Parliament and the ASEAN Inter-Parliamentary Organisation (AIPO) began in 1979, and the ASEAN group of the European Parliament meets frequently with their counterparts from South-East Asia.

The effectiveness of the EU-ASEAN political dialogue has been enhanced by the 1992 Maastricht Treaty on European Union, which established the European Union (EU) on the foundations of the European Community (EC). The Treaty provides for a common foreign and security policy, whose objectives include strengthening international security and promoting international cooperation.

Some idea of the scope of the EU-ASEAN political dialogue can be had from the joint declarations issued at the conclusion of their

ministerial meetings, now held every two years. At the end of the 1994 meeting held in Karlsruhe during the German presidency of the EU, the foreign ministers reaffirmed their commitment to promote the disarmament process; underlined the importance of the nuclear non-proliferation (NPF) treaty; supported the negotiations in the Disarmament Conference over a comprehensive test ban treaty (CTBT), and called for the early ratification of the chemical weapons convention.

### Promoting Human Rights

At their Karlsruhe meeting, EU and ASEAN ministers emphasised their common commitment to the promotion of and respect for human rights and fundamental freedoms on the basis of the United Nations Charter and the Universal Declaration on Human Rights. They also expressed their strong support for the successful implementation of the Vienna Declaration and Action Programme, adopted at the 1993 Vienna human rights conference.

Where the EU and ASEAN differ is over the importance of civil and political rights as compared to economic, social and cultural rights. The EU places great importance on classical individual rights, based on the principles of the French and American revolutions. For some ASEAN (indeed Asian) countries, collective values are seen to take precedence over individual rights, and economic development over civil and political rights - at least until the scourge of poverty has been banished. The EU has expressed its understanding of the view that economic development leads to improved human rights, and accepts that cultural differences must be borne in mind. It nevertheless maintains that individual rights and fundamental freedoms cannot be ignored.





Most of the regional issues on the ministerial agenda covered developments in the Asia-Pacific region. Ministers also looked at the situation in Central and Eastern Europe and the economic opportunities these regions offer. They noted with satisfaction the results of the EU's efforts to reintegrate Indochinese refugees from countries of first asylum. On Cambodia, the ministers reaffirmed their readiness to help the government reconstruct the country. The EU has already committed ECU 60 million for short-term refugee aid and rehabilitation. Both parties expressed their concern for the delicate situation in the South China Sea and more particularly in the Spratley Islands to which China and several ASEAN countries have conflicting territorial claims (which led the EU to issue a Declaration early in 1995 calling for restraint and the peaceful resolution of the territorial disputes by all the concerned parties).

Myanmar is perhaps the one regional issue (other than that of East Timor) which has divided the EU and ASEAN. The former has followed

a policy of isolation towards the State Law and Order Restoration Council (SLORC), which came to power following a military coup d'état in 1988, while ASEAN followed one of 'constructive engagement'. At the Karlsruhe meeting, EU and ASEAN foreign ministers noted there had been some 'positive developments' in Myanmar. They expressed hope that ASEAN's policy of constructive engagement and the EU's willingness to engage in a critical dialogue would contribute to 'more sustainable improvements in all fields'.

This narrowing of differences over how to deal with Myanmar is one indication of the effectiveness of the EU-ASEAN political dialogue; another is the extent to which the two sides have been able to move from confrontation to dialogue over the issue of human rights. Ministers will meet again in Singapore in 1996. Clearly, with both international and regional developments generating their own momentum, the need for an effective political dialogue has never been greater.



## TRADE: THE CORNERSTONE OF EU-ASEAN RELATIONS

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Trade lies at the heart of EU-ASEAN relations. This was true in the mid-1970s when ASEAN countries individually established formal relations with the then nine-nation EEC; and it remains true today, when the 15-nation European Union ranks third among ASEAN's trading partners in total trade and second as far as imports are concerned. It could hardly be otherwise, given that trade is the engine driving their respective economies.

Trade between the EU and ASEAN will profit from the greater liberalisation of world trade, which should follow the creation of the World Trade Organisation (WTO) and the progressive implementation of the other elements of the Uruguay Round agreement. One likely development is increased trade in services, another is a move towards strategic alliances between European and ASEAN companies. While European companies are developing a production base in the ASEAN

countries in order to take advantage of the expanding Asian market, ASEAN companies will want to take advantage of an enlarged European single market and opportunities for trade with Central and Eastern Europe.

### TRADE FLOWS

Just how powerful the combination of open markets and entrepreneurial drive and skills can be in raising exports is amply demonstrated by the rise in EU-ASEAN trade. Since the 1980 Cooperation Agreement committed the EC and ASEAN to raising their trade to 'the highest possible level', their two-way trade has increased four fold in volume. By 1994, ASEAN's share of total EU imports had risen to 5.2 percent (compared to 1.8 percent of a much smaller volume of imports in 1975). ASEAN's exports to the EU have risen faster than to any other market since 1984.





While EU exports have long been concentrated on manufactured products, there has been a dramatic shift in ASEAN's exports from primary products to manufactures. In 1980, some two-thirds of ASEAN's exports consisted of raw materials such as wood, manioc, rubber and palm oil. By 1993, in contrast, manufactures, including electrical and electronic products, textiles and clothing, accounted for more than three-quarters of the total.

The rise in the EU's imports of manufactures from ASEAN is particularly striking when set against its imports from developing countries as a group. ASEAN's share of these imports rose from 9 percent in 1975 to 22 percent in 1993.

Contrary to a widely-held belief, the external trade of the ASEAN countries - and of Asian countries generally - is not dominated by either Japan or the United States, although both have been more closely involved than the EU in shaping the direction and nature of ASEAN's external trade through direct investments, joint ventures, technology transfers and a correspondingly greater physical presence. The fact is that economic growth in Asia is spreading very rapidly from country to country and region to region. It is accompa-

nied by a rapid rise in trade flows within Asia itself, including a striking increase in trade between East and Southeast Asia.

Whether the EU remains a major trading partner for ASEAN will depend on how it responds to the developments taking place within both the ASEAN region and Asia as a whole.

## THE GENERALISED SYSTEM OF PREFERENCES (GSP)

The then six-nation European Economic Community (EEC) was the first to introduce a GSP scheme; it came into effect in 1971, following the agreement between industrialised and developing countries reached in UNCTAD. Under this scheme, imports from developing countries entered the EC either duty-free or at preferential (i.e. reduced) rates of duty. By 1992 Asia had emerged as the major GSP beneficiary, accounting for almost 70 percent of the Community's imports under its GSP scheme. The ASEAN countries accounted for a quarter of all such imports, with four of them among the scheme's 10 largest users.

The GSP clearly has contributed to the growth in ASEAN's exports to the EU. The new GSP scheme, in force since January 1995, should encourage the further diversification of these exports. Yet the implementation of the Uruguay Round agreements by the EU will mean the steady erosion of GSP benefits, as tariffs are reduced. However, this further tariff cutting is likely to provide a greater stimulus to ASEAN's exports than even the GSP.

As a trade policy instrument, the GSP has proved rather successful, particularly for those countries which have pursued export-led growth strategies. But the GSP is also a devel-

Composition of EU-ASEAN Trade, 1990-1993								
	ASEAN exports to EU				EU exports to ASEAN			
	1990	1991	1992	1993	1990	1991	1992	1993
All products (billion ECU)	17	20	22	26	16	17	19	23
Agricultural	27.1	22.2	22.4	18.3	5.5	5.5	5.6	5.2
Manufactures	69.8	75.3	74.5	78.6	85.3	87.2	86.0	87.5
Office and telecoms.	26.0	27.7	28.5	33.5	37.8	40.1	37.8	12.7
Transport equipment	1.7	1.7	1.9	2.3	12.5	11.8	13.2	11.8
Chemicals	1.4	1.7	1.6	1.6	12.3	11.6	11.8	11.5
Textiles and Clothing	15.0	17.1	15.9	14.4	1.7	1.7	2.1	1.7

*In billion ECU and percentage / Source : European Commission*



opment tool. It has been less successful in this role. The revised GSP scheme, introduced in 1995 for a further 10 years, seeks to redress the balance in favour of developing countries that still need the stimulus of preferential access to raise export earnings and encourage industrialisation. But it also favours countries that promote an environmentally sound and sustainable development.

## TEXTILES AND CLOTHING

The ASEAN textile and clothing industries have played an important part in changing the composition of the region's exports from primary commodities to manufactured products. During the 1980s exports of textiles to the EU increased five-fold, of clothing nearly seven-fold. In the three years from 1991 to 1993, ASEAN textile and clothing exports have averaged 15 per cent of a steadily rising volume of exports to the EU. In 1993, ASEAN accounted for some 13 percent of total EU imports from all countries belonging to the GATT-sponsored Multifibres Agreement (MFA).

The MFA was replaced on January 1, 1995 by a new agreement which seeks to reintegrate trade in textiles and clothing into the WTO-GATT over a 10-year period. Under this agreement, import quotas introduced under the MFA are being phased out and import duties reduced even further in the industrialised countries. At the same time, developing countries are being called on to improve market access. Both the EU and ASEAN should benefit therefore in the coming years from the new arrangements.



## IMPLEMENTING THE URUGUAY ROUND

The Uruguay Round of international trade negotiations was never an end in itself, of course; it just seemed that way as trade officials from around the world battled it out at GATT headquarters over seven long years. Their aim was to draft, or redraft, the rules for a global economy in which the ASEAN and other Asian countries are emerging as key players. The ASEAN countries in fact played an important part in the negotiations and, given their market-oriented approach to economic growth, opened the way for effective participation by other developing countries.

ASEAN ministers joined EU ministers in welcoming the outcome of the trade negotiations at their meeting in Karlsruhe in 1994.

They saw the results as marking 'a significant step forward for the harmonious two-way development of EU-ASEAN trade relations'. Implementation of the results by all the Uruguay Round participants will certainly contribute to the continued economic growth of ASEAN and other developing countries, but also give

EU exporters improved access to countries with high growth rates.

The implementation of the Uruguay Round agreements should, therefore, result in greater trade opportunities for manufactures and exporters in both the EU and ASEAN. But problems, often related to specific items, are bound to arise as exporters seek to increase market shares.

EU Trade with ASEAN, 1980, 1985 and 1990-1994

	1980	1985	1990	1991	1992	1993	1994
EU exports	5 369	10 078	16 083	17 282	19 282	22 921	27 755
EU imports	6 857	10 417	16 748	19 947	22 404	25 667	29 940
<b>Percentage change over previous year</b>							
EU exports	--	--	14	7	11	19	21
EU imports	--	--	14	19	12	15	17

In million ECU / Source : Eurostat





## FROM DEVELOPMENT AID TO ECONOMIC COOPERATION

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### **DEVELOPMENT COOPERATION**

EU development aid to ASEAN has averaged just ECU 60 million per year since 1991<sup>1</sup>. Given the rapid economic growth enjoyed by ASEAN as a whole, the donor-recipient relationship was bound to end sooner or later. Indeed, with the EU's invitation to ASEAN to join it in helping rehabilitate the region's three poorest countries in a "trilateral cooperation", the wheel may be said to have come full circle, with former aid recipients also becoming donors.

The EU's development aid, all of it in grant form, is now limited to Indonesia and the Philippines. Aid to Indonesia is concentrated on the forest-conservation sector, and to the Philippines on rural development, family planning and environmental protection. Much of this aid is still channelled through government and other official agencies, but there is a growing tendency to use the civil society represented by the non-governmental organisations (NGOs) and local and traditional communities.

Both the EU and ASEAN are committed to the fight against drugs, both within the framework of their bilateral cooperation and at the international level. A sub-committee on narcotics is being set up under the Cooperation Agreement, while the EU has already financed 10 cooperation projects in ASEAN for a total of ECU 3 million.

### **ECONOMIC COOPERATION**

The EU and ASEAN recognised the importance of economic cooperation even before the 1980 EEC-ASEAN Cooperation Agreement put the seal of approval on it. (Two major conferences on industrial cooperation were held in Brussels in 1976 and in Jakarta in 1979.) The 1980 agreement encouraged closer economic links between EU and ASEAN

firms through mutually beneficial investments and the opening up of new markets.

The 5th EU-ASEAN ministerial meeting further underlined the importance of economic cooperation when it convened the first-ever ministerial-level meeting on economic matters in 1985. At that meeting the EU recognised ASEAN as an economic grouping of 'vast potential' and of growing importance to the EU in terms of economic, trade and investment cooperation.

Since 1992, economic cooperation with ASEAN has been guided by the rules the EU adopted early that year for development and economic cooperation with all Asian and Latin American countries. Applied to EU-ASEAN economic cooperation, the overall aim now is to help the ASEAN countries create the conditions which will allow businesses to make the most of the trade and investment opportunities open to them, both in the EU and ASEAN.

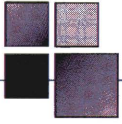
The EU as such has no monopoly on economic cooperation, of course. Individual EU countries have their own programmes in this field, aimed at helping their nationals and businesses gain a competitive edge over those from other countries. Hence the European Commission's efforts to make sure that the activities launched under the EU banner complement those organised by individual Member States.

In concrete terms, the EU is helping the ASEAN countries to (1) improve their scientific and technological potential, (2) develop the institutions which encourage trade and development and (3) take measures which are supportive of business, including human resource development (HRD). The 1992 regulation also lists some of the areas which are particularly suited to regional cooperation. Areas in which the EU is helping ASEAN include research and training, cooperation in the energy sector and industrial cooperation.

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(1) The concessional aid extended bilaterally by individual EU countries still averages between ECU 650 million and ECU 750 million a year.





## REGIONAL COOPERATION

Regional cooperation between ASEAN and the EC encompasses a range of projects aimed at helping the ASEAN countries create the conditions which will allow businesses to make the most of the trade and investment opportunities that are open to them in the EU and ASEAN. Areas covered include assistance in developing the regulatory environment, business and industrial cooperation, energy, transport and communications, scientific and technical cooperation, human resource development, environmental cooperation and cooperation against drugs.

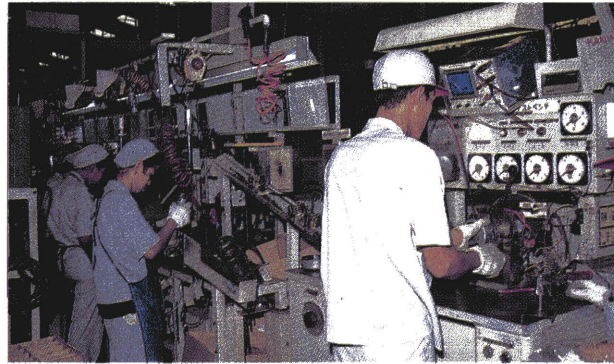
### **IMPROVING ASEAN'S SCIENTIFIC POTENTIAL**

The activities financed by the EU are of two different, if related, kinds. The first is designed to enhance ASEAN's scientific and technological potential through the transfer of EU know-how. The second aims to promote a science-based culture through training and research.

A network of regional technology centres is being set up to improve ASEAN's technological potential. Centres already set up include:

- ❖ the ASEAN Timber Technology Centre (ATTC) in Kuala Lumpur, which provides training at management and supervisory levels, and performs R & D for the adoption and transfer of appropriate technology;
- ❖ the EU-ASEAN Energy Management Training and Research Centre (AEEMTRC) in Jakarta, which promotes energy cooperation between the two regions and should act as a focus for exchanges among energy institutes in ASEAN; and
- ❖ the Europe-Singapore Regional Institute of Environmental Technology (RIET), which began work in 1993 promoting technology transfers and links between industries in the EU and Asia.

The COGEN project, presently in its second phase is also providing for the transfer of appropriate technology in the promising field of energy generation from biomass.



Mention must also be made of the recent development of an EC-ASEAN university cooperation network of ten academic institutions (5 in each region), connected with industry and with an interest in applied research areas with immediate industrial application of the new technologies (research into biotechnology and industrial waste water treatment, energy saving in large buildings, etc.).

For well over a decade, pre-competitive projects in fields ranging from tropical medicine to earth sciences and food technologies have been supported with assistance from DG XII of the EC - Science, Research and Development. Now, in the context of the EC's 4th Framework Programme for research and technological development, a new specific international cooperation programme has started, incorporating S&T with Developing Countries (INCO-DC), focused on the management of renewable natural resources, agriculture and health. There is also scope for cooperation in information and communication technologies.

The aim is to enable ASEAN and other parts of the world where levels of development differ widely, to be associated with the generation of knowledge and innovative and appropriate technologies needed to solve their specific problems so as to achieve sustainable development.

In addition, other specific programmes such as standards, measurement and testing, transport and biotechnology are open to ASEAN participation, with the purpose of encouraging and enhancing long-term EU-ASEAN industrial cooperation.



Two other scientific projects have to do with training; one in remote sensing techniques and another for air flight controllers, using European technology. The remote sensing ground station in Bangkok has been upgraded and an archiving system installed in Kuala Lumpur, thus helping the ASEAN countries improve the management of natural resources through the use of the European Space Agency's ERS-1 satellite capabilities.

The second project is designed to strengthen air safety in the ASEAN region, and give air traffic controllers and managers an opportunity to compare European technology, which is often more user-friendly, with that from the United States and Japan.

The EU also organises sector-related technical assistance programmes, with the overall aim of raising the level of skills in order to make cooperation with European companies easier. The programmes exist in such areas as training in production and marketing, the strengthening of private sector institutions, through trade associations, for example, and the use of European technology for such ends as sustainable forest management.

## **ENCOURAGING TRADE AND INVESTMENT**

The aim is to help the ASEAN countries create an environment which is both more conducive

to development and reduces the risks for EU investors. Two basic areas of cooperation are industrial standards and quality assurance, on the one hand, and the protection of intellectual property rights on the other.

Under the EU-ASEAN industrial standards and quality assurance programme, a regional programme coordinated by Thailand's Industrial Standards Institute, the EU provided technical assistance in the field of industrial standards and for the upgrading of institutional capacity and testing facilities in the ASEAN countries. Links between bodies in the EU and ASEAN were encouraged. Individual countries have since asked for help at a bilateral level.

The EU-ASEAN patents and trademarks programme, launched in 1993, is designed to strengthen and modernise the system for the protection of intellectual property rights, thus improving the climate for trade and investment. The programme has been organised on both a regional and national basis. The regional programme covers the preparation of patent publications, common to all participating countries, exchange of staff between the ASEAN patent offices, the harmonisation of the issue of patents and the organisation of high level meetings and seminars in the EU and ASEAN countries. The national programmes cover legal and advisory services and the procedure for granting patents.





The EU as such is the major investor in the ASEAN countries in terms of applications approved by the individual countries. However, a very high proportion of these investments is from two EU countries - the UK and the Netherlands. The other major investors are Japan and the United States. But they are being overtaken by Singapore, Taiwan and Hong Kong, if their investments are added together.

## **SUPPORTING BUSINESS ACTIVITIES**

The activities undertaken by the EU range from encouraging the flow of business information and promoting European technology to providing seed money to European and ASEAN companies wanting to undertake technology transfers, licensing arrangements, joint ventures, etc. These activities are coordinated with those organised by individual EU countries, in order to make sure they complement each other, thus adding to their effectiveness.

EU activities are of two kinds. The first is to provide information on European technology and products through centres of excellence (also called technology windows), the second to offer business, financial and legal information to companies located in ASEAN countries which want to do business with their European counterparts and European companies wanting to enter ASEAN markets.

Other forms of economic cooperation include the European Investment Partners (ECIP) scheme, which has already approved more than 155 projects in the ASEAN countries, for a total of more than ECU 16 million. In addition, since 1993 the European Investment Bank (EIB), the EU's own long-term financing institution, has been authorised to operate in the region on an ad hoc basis for investment projects of special interest to both regions. It has provided a total of ECU 152 million for five energy, transport and industrial projects in ASEAN (Indonesia, the Philippines and Thailand). Several other projects are currently under appraisal.

## **FOSTERING CULTURAL COOPERATION AND HUMAN RESOURCE DEVELOPMENT**

The European Union has always recognised the importance of cultural factors in its rela-

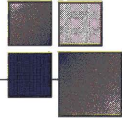
tions with developing countries. In the 1980 EC-ASEAN Cooperation Agreement, cultural development is seen as an important feature for both regional groupings. In 1992, the EU reaffirmed its readiness to strengthen the cultural dimension through its programme of financial and technical assistance to Asian and Latin American countries.

The EU, committed to developing a broader and deeper relationship with ASEAN based on a partnership of equals, is therefore looking beyond trade statistics and investment regulations to the value systems on which ASEAN societies are based. Cultural cooperation has emerged as a priority area in the EU's relations, not only with ASEAN but with Asia as a whole. A major Europe-Asia Cultural Forum was held in Venice in January 1996, and other new programmes in this field are already being drawn up.

Activities in the field of human resource development (HRD) include ASEAN-EU Management Centre in Brunei and the successful ASEAN-EU Scholarship Programme, already ending its 5th cycle.





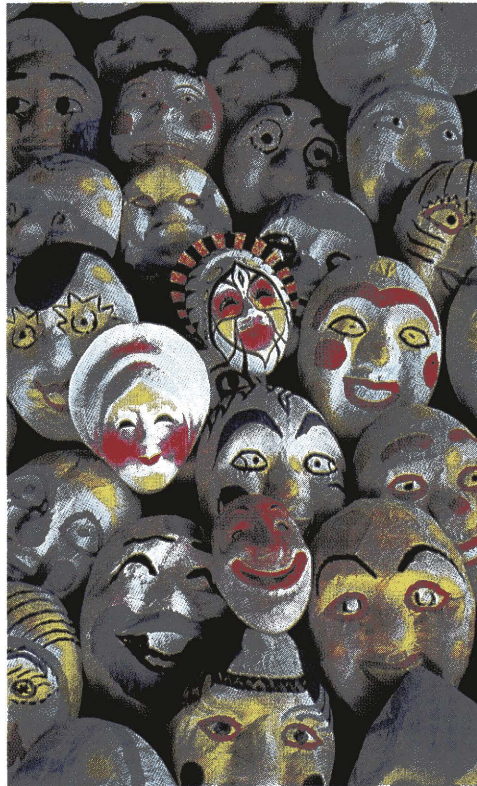


## LOOKING TO THE FUTURE

The adoption by the EU in 1994 of a new strategy towards Asia was accompanied by the declaration, made at the EU-ASEAN ministerial meeting in Karlsruhe, that ASEAN would remain a cornerstone of the EU's dialogue with the countries of Asia. Ministers in fact expressed their commitment to intensify their long-standing cooperation, on a basis of partnership, shared responsibility and mutual benefit.

But with ASEAN itself increasingly involved in regional affairs, particularly within the Asia Pacific Economic Cooperation (APEC) forum, EU-ASEAN relations could find themselves downgraded, particularly by ASEAN. The danger was recognised by the ASEAN countries themselves. Hence their proposal, first made by Singapore's prime minister during a state visit to France in October, 1994, to convene a Europe-Asia summit.

This dialogue at the heads of state or government level would both complement the ties ASEAN has established with East Asia and North America within APEC and open up a channel of communication between European and Asian leaders. Participants at the first Europe-Asia summit are expected to include the EU, on the one hand, and ASEAN, as well as China, Japan and South Korea, on the other. The agenda obviously will cover not only economic and development issues but also political and cultural matters.



The political dialogue between the EU and ASEAN, whether at the regional or international level, is certain to grow. But economic matters will continue to enjoy high priority, given that trade and investment play a key part in raising living standards in both the EU and ASEAN. The two regional groupings will therefore continue to work together for the maintenance of an open, fair and multilateral trading system. At the same time they will encourage their economic operators to cooperate in seizing the business opportunities open to them.

Rapid economic growth, especially in large, populous countries, carries with it the risk that not all sections of the population will be equally successful in raising their living standards. Education and training can play an important part in preventing large-scale income disparities, and this is one of the areas to which the EU and ASEAN are giving priority in their cooperation programmes. Even so, poverty alleviation programmes will be needed in some regions of ASEAN, and in particular its newest member, Vietnam.

Despite the necessary emphasis on economic growth, neither the EU nor ASEAN wants to cooperate in promoting growth that is destructive of the natural and urban environments. Hence they will work together on environmental protection programmes, in the context of sustainable development.



The continued expansion of EU-ASEAN relations, in whatever area, will require greater awareness, not only by decision-makers but also the general public, of the importance of these relations. But so far much of the impetus for closer relations has come from government and business circles. Studies carried out on behalf of the European Commission, for example, have shown that the EU, as distinct from individual Member States, is not particularly well known in the ASEAN region.

As this is no less true of ASEAN in relation to public opinion in Europe, the two regional groupings have undertaken to work together to improve their respective profiles.

The 11th EU-ASEAN ministerial meeting in 1994 agreed to the creation of an ad hoc and informal Eminent Persons Group (EPG), its members drawn from both regions, to enhance EC-ASEAN relations further. It was also agreed that the EPG would analyse relations between the two regional groupings; identify constraints to their further development and make proposals and recommendations aimed at enhancing their relations to the year 2000 and beyond, in a forward-looking, visionary approach.

Building on the solid economic relations between the EU and ASEAN, on the long-standing political dialogue between the two regions, and on the special impetus which will be given by the forthcoming Europe-Asia Summit, these expanding horizons will help ensure a continued rapid transformation in the EU-ASEAN partnership.

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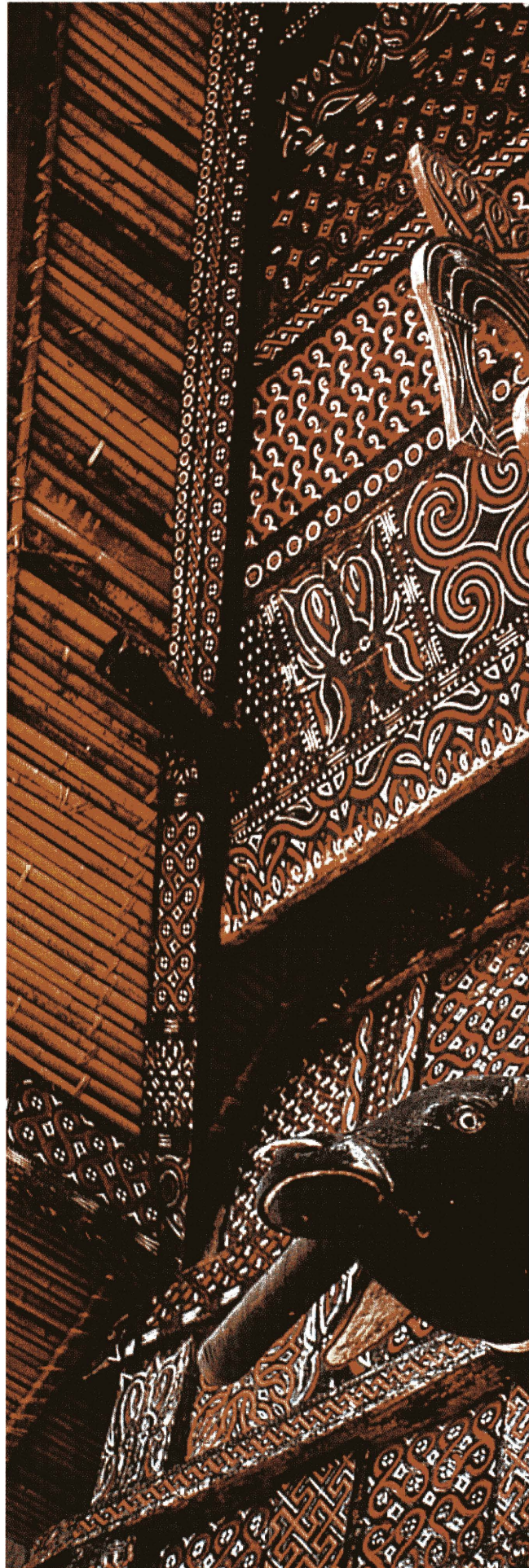


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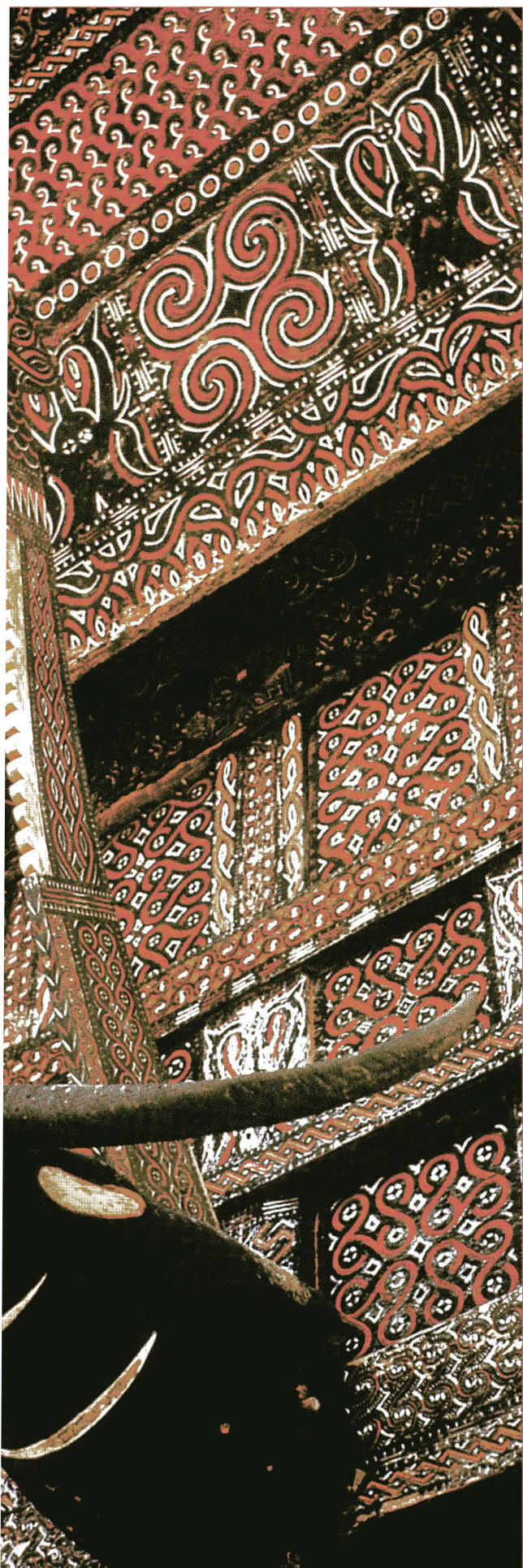
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