

# COMMISSION OF THE EUROPEAN COMMUNITIES

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## COMMUNITY RELATIONS WITH THE MEMBER COUNTRIES OF THE ASSOCIATION OF SOUTH EAST ASIAN NATIONS (ASEAN)

(Communication from the Commission to the Council)

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Community relations with the member countries of the Association of  
South East Asian Nations (ASEAN)

Proposal for an Agreement for Commercial and Economic Cooperation

I. Introduction

1. Since 1972 there has been a steady growth in relations between the Community and the Association of South East Asian Nations (ASEAN) despite the lack of a formal agreement between the two regions. As an element in the implementation of the Joint Declaration of Intent annexed to the 1973 Treaty of Accession the Community negotiated and concluded in the period from 1973 to 1975 Commercial Cooperation Agreements with four of the countries of the Indian sub-continent. Similar agreements were offered to the ASEAN countries at the time but all replied that they preferred to develop their relations with the Community on a regional basis which meant waiting until ASEAN itself was more prepared for such a step. In the meantime it was agreed in 1975 to create a Joint Study Group (JSG) composed of representatives of the Commission and of the five ASEAN governments to develop a continuing dialogue and to provide a forum for exploring all possible areas of cooperation. The JSG has met five times over the last four years and has examined a wide range of problems and initiated joint activities in a number of fields.

2. In order to satisfy an ASEAN wish for an intensification of its relationship with the Community institutions in 1977 it was decided to establish a regular dialogue at ambassadorial level between the ASEAN Brussels Committee on the one hand and COREPER and the Commission on the other. The purpose of the dialogue was to supplement the cooperation activities carried out by the Joint Study Group between ASEAN and the Commission and to involve directly another institution of the Community in these activities. Meetings of the ambassadors have been held in November 1977 and in June 1978 and a third is envisaged to take place in the second half of this year.

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3. In view of the importance which a closer relationship between ASEAN and the Community would have not only in economic terms but also from the political point of view a first meeting at ministerial level between the two regions was held in Brussels in November 1978. It was for the Community the first meeting at ministerial level with another regional grouping of non-associated countries and it demonstrated the Community's preparedness to offer its firm economic and political support of the Association of South East Asian Nations. The meeting set certain guidelines for various kinds of cooperation between the two sides and also agreed that exploratory discussions on the content of a possible cooperation agreement should be held.

4. A closer relationship between the European Parliament and the Parliaments of the five ASEAN countries seems to be developing. A group of European parliamentarians visited the ASEAN countries in 1975 and a return visit in October/November of this year is being prepared. In May 1979 the European Parliament adopted a resolution calling for the strengthening of ties between the Community and ASEAN and sought the speediest possible conclusion of an overall agreement as a framework for initiatives of all kinds.

## II. The Political and Economic Background

1. Following the end of the Vietnam war, and especially since the Bali summit of 1976, the Association of South East Asian Nations has advanced rapidly towards attaining a real identity both at the political and economic level. The member countries largely speak and think in terms of ASEAN and the overall trend is towards greater cohesiveness created by external forces. As a grouping in the last three years the Association has conducted discussions and negotiations not only with the Community but also with the USA, Canada, Australia, New Zealand and Japan. ASEAN's stated aim is to create a zone of peace and neutrality in South East Asia and this is a concept which has become more and more accepted by the major powers and was supported strongly by the Community in the Ministerial Meeting.

2. To support economic growth and gain the advantages which a larger market can offer ASEAN is also feeling its way towards economic cooperation. It is not yet a free trade area but has set up preferential trading arrangements, a number of regional industrial projects and industrial complementation schemes, and schemes for preferential supply of rice and crude oil in the event of shortage.

3. Taken together the five ASEAN countries have a total population of 247 million (1977), only slightly less than the Community. The economies of the member countries are among the most rapidly growing in the world. Within ASEAN between 1973 and 1978, the annual growth rate of Gross Domestic Product in real terms varied between 6.8% and 7.9%, compared to the Community's growth rate of less than 3%. In terms of GNP per capita (1976) the five countries range from \$250 in Indonesia, \$380 in Thailand, \$410 in Philippines, \$860 in Malaysia to \$2700 in Singapore. Whilst collectively this places them in the category of middle income countries according to the World Bank's classification the requirements of the inhabitants of the region are far from being met.

4. The ASEAN region is exceptionally rich in natural resources. It is the principal world supplier of natural rubber (80%), abaca fibres (80%), tropical hardwoods (75%), palm oil (60%), and coconut (50%) as well as being a significant producer of oil, copper, sugar, coffee, tobacco, rice and tin.

5. As far as trade between the Community and ASEAN is concerned the table below indicates that between 1973 and 1978 there has been a substantial growth in trade between the two regions.

	<u>1973</u>	<u>1978</u> (provisional)
EC imports from ASEAN	1.777	4.280
EC exports to ASEAN	1.656	3.860

This has over the 5 year period led to a slight increase in ASEAN's share of Community imports from 2.11% to 2.34% and in its share of exports from 2.05% to 2.22%.

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If on the other hand the situation is looked at from the ASEAN point of view over the period of 1973 to 1977 (1978 figures are not available but are forecast to not change the picture) the Community's share of its exports fell from 15.7% to 14.7% and its share of ASEAN imports fell from 16.5% to 14.6%. Japan is now ASEAN's principal trading partner with over 25% of its external trade, followed by the USA with over 20%.

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

### III. Objectives of the Agreement

1. The picture which emerges is that there is a growing political and economic cohesion between the members of the Association, and that the region is likely to be one of the fastest growing areas of the world in the next two decades. Despite this, as can be seen from the figures, the Community has failed to keep up with the opportunities, this in spite of the fact that it is a region where Europe has had historic trading and investment links and consequently should be able to compete from a position of knowledge.

2. The Ministerial Meeting recognized the problems and resulted in mutual agreement on a number of measures destined to improve this situation in amongst others the fields of trade, industrial cooperation, scientific and technological cooperation. The actions which have already resulted will be reinforced and given more direction by the conclusion of a cooperation agreement.

3. From the side of the ASEAN countries an agreement would be a logical follow-up to the Ministerial Meeting and also to the offer by the Community in 1973. It would mark a special relationship with the Community which would be made clear by the fact of the agreement being the first that the ASEAN countries had negotiated collectively. ASEAN considers an agreement would reinforce the Community's interest in ASEAN, and encourage a growth of economic and commercial cooperation. It would fulfil

an ASEAN desire to obtain a better balance in its external relations. It would indicate to ASEAN that the Community was ready to diversify its cooperation with the Third World. It would fortify the view that the Community was a natural partner of ASEAN by virtue of similar economic philosophies and a complementarity of economic interests. ASEAN is anxious to attract greater European investment and technology to develop the region, and feels an agreement would be an important impulse for the development of internal ASEAN cooperation.

4. From the European side in the Joint Declaration of the Ministerial Meeting it has already been said that it "welcomed the favourable development of ASEAN as a regional organisation committed to economic growth, social progress and cultural development ..... and recognized ASEAN as a factor of stability and balance which contributes to the maintenance of peace in South East Asia." At the economic level it is in Europe's vital interests to bring about closer links with one of its major suppliers of commodities. It is also in Europe's interest to have closer economic links with one of the fastest growing regions in terms of its purchasing power and its development as a single market. Further cooperation with ASEAN is a significant element in strengthening the competitiveness of European industry and finally the ASEAN countries can be a base for supplying the other markets of the Pacific region.

5. The aim of both sides is therefore to create a framework in which no kind of cooperation would be excluded in advance and in which every sector of European and ASEAN economic life could be successfully encouraged to cooperate. Such cooperation would be of mutual interest and benefit to both sides.

#### IV. Contents of the Agreement

1. In conformity with the recommendations of the Ministerial Meeting of November 1978 the Commission has held three rounds of exploratory discussions with representatives of ASEAN and this section sets out the results of those discussions. The ASEAN side based its approach on the outcome of the Ministerial Meeting.

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2. In the view of both sides the agreement should in principle :

- i) aim to consolidate, deepen and diversify commercial and economic relations between the two regions within the framework which the agreement will provide;
- ii) be non-preferential and of an evolutionary nature and able to take account of political and economic developments on both sides;
- iii) be between equal partners but recognise the level of development of the ASEAN countries;
- iv) recognise the emergence of ASEAN as a viable and cohesive economic grouping.

3. The contracting parties to the agreement would be the Community on one side and the five member countries of ASEAN on the other side.

4. The contents of the agreement should be modelled on the existing commercial and economic cooperation agreements with India, Mexico and Canada, but take into account the fact that this will be for the first time an agreement with five countries which cooperate closely in the framework of an association.

5. The proposal for negotiating directives is set out in Annex II. Some of the important points which should be noted are set out below :

- i) the text of any clause on most favoured-nation treatment will depend upon the progress of the applications by Thailand and the Philippines to accede to the General Agreement on Tariffs and Trade;
- ii) in accordance with the Ministerial Declaration the contracting parties would undertake to seek their counterparts' views on actions being considered which could have an adverse effect on trade between them;
- iii) one important objective should be to bring about industrial cooperation. ASEAN attaches major importance to bringing about cooperation between industries in the two regions; (1)

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(1) In parallel to the cooperation envisaged here the Commission services are continuing their examination of the possibilities of establishing an EEC/ASEAN Trade and Investment Forum as decided upon in the Ministerial Meeting.

- iv) special reference should be made to mining activities and access to and processing of resources, given the interest expressed by both sides in this field during the Ministerial Meeting;
- v) special reference should be made to cooperation in the field of energy;
- vi) both sides attach importance to the maintenance and improvement of the investment climate and are anxious to facilitate this through investment promotion and protection arrangements. The ASEAN countries have already indicated during the Ministerial Meeting their readiness to extend the pattern of investment promotion and protection arrangements. During the meeting both sides agreed to seek to implement this at an early date.
- vii) the concept of economic cooperation would also cover science and technology as well as environment and transport and communications, to the extent that there are Community activities in these areas;
- viii) the inclusion of cooperation with EURATOM or the conclusion of a separate protocol on coal and steel is not envisaged with ASEAN;
- ix) all initiatives within the framework of the Agreement would be promoted and supervised by the Joint Cooperation Committee which would also supersede the existing Commission-ASEAN Joint Study Group;
- x) one important innovation compared to other Community non-preferential agreements would be the inclusion of a clause relating to financial cooperation as a means towards achieving the objectives of economic cooperation. This would not mean that the agreement would cover development aid. It refers in particular to the encouragement of cooperation between sources of finance in the two regions, in particular the commercial banking sector and public development finance institutions. This is in accordance with the Declaration of the Ministerial Meeting;
- xi) ASEAN at one stage in the discussions proposed the creation of a small fund to facilitate the operation of the agreement. The Commission asked if ASEAN was ready to make this a joint fund but after long deliberations the ASEAN countries were not ready to participate in such a fund.

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The Commission is of the opinion that the right of Member States to maintain existing agreements for economic cooperation and, where appropriate, to conclude new ones, should not be referred to in the text of the agreement. This, being a question involving the repartition of competence as between Community and Member States, is an internal matter, and the Commission considers that the most appropriate way to deal with it would be to inscribe the following statement in the minutes of the Council of Ministers :

"In the field of economic cooperation Member States retain the power to undertake bilateral activities and to conclude, where appropriate, new cooperation agreements with the member countries of the Association of South East Asian Nations without prejudice however to the relevant provisions of the Treaties establishing the Communities or provisions adopted on the basis of these Treaties, and subject, furthermore, to the condition that any bilateral action undertaken by Member States must not affect the proper functioning and development of the relations established under the present agreement".

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#### V. Conclusions

The Commission recommends to the Council :

- to authorise it to open negotiations with the member countries of the Association of South East Asian Nations for the conclusion of an agreement for commercial and economic cooperation;
- to approve the negotiating directives herewith attached.

RECOMMENDATION

for a Council Decision

authorising the opening of negotiations with the member countries of the Association of South East Asian Nations

THE COUNCIL OF THE EUROPEAN COMMUNITIES

Having regard to the Treaty establishing the European Economic Community;

Having regard to the Recommendation from the Commission that negotiations be authorised for a commercial and economic cooperation agreement with the member countries of the Association of South East Asian Nations - Indonesia, Malaysia, Philippines, Singapore and Thailand;

Whereas the aim of these negotiations should be to conclude an agreement for commercial and economic cooperation;

HAS DECIDED AS FOLLOWS :

Article 1

The Commission is hereby authorised to open negotiations with the member countries of the Association of South East Asian Nations - Indonesia, Malaysia, the Philippines, Singapore and Thailand - for the conclusion of an agreement for commercial and economic cooperation between the European Economic Community and the member countries of the Association of South East Asian Nations.

Article 2

The Commission shall conduct these negotiations in accordance with the directives annexed hereto, in consultation with the representatives of the Member States.

Done at .....

for the Council

Draft

NEGOTIATING DIRECTIVES

A. Nature of the Agreement

1. Scope

The aim of the negotiations should be to conclude an agreement for commercial and economic cooperation between the European Economic Community and Indonesia, Malaysia, Philippines, Singapore and Thailand, members of the Association of South East Asian Nations.

2. Flexibility

The agreement should be of an evolutionary nature, flexible enough to take account of changes in the political and economic development of the contracting parties. No field for economic cooperation within Community competence should be excluded in advance. The parties to the agreement would use a Joint Cooperation Committee as the instrument for exploring and implementing practical cooperation possibilities.

3. Duration

The agreement would be of an indefinite duration. It could be denounced after five years by any of the parties to the agreement with one year's notice.

B. Contents of the Agreement

1. Preamble

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2. Commercial Cooperation

The negotiators should secure provisions which would commit the contracting parties to :

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- a most-favoured-nation treatment clause;
- the development and diversification of their trade to the highest possible level taking into account their respective economic situations;
- study ways and means of overcoming trade barriers (and in particular existing non-tariff and quasi-tariff barriers) taking into account the work of international organisations;
- seeking in accordance with their legislation, policy and objectives to :
  - cooperate bilaterally and multilaterally to solve common commercial problems including those related to commodities;
  - grant the widest facilities for commercial transactions;
  - take account of needs and interests on access to and further processing of resources;
  - bring together economic operators in the two regions with the aim of creating new trade patterns;
  - study and recommend trade promotion measures likely to encourage the development of imports and exports in order to foster balanced trade;
  - seek the other parties' views on measures likely to have an adverse effect on trade.

### 3. Economic Cooperation

#### a) Objectives

In the light of the potential complementarity of interests of the contracting parties and of their long-term economic capabilities they would commit themselves to bring about mutual economic cooperation aimed at :

- the encouragement of closer industrial links through mutually beneficial investment;
- the encouragement of technological and scientific progress;
- the opening up of new sources of supply and new markets;
- the creation of new employment opportunities.

#### b) Fields

In view of the flexible nature of the agreement, no field in which economic cooperation could take place within the competences of the contracting parties would be excluded in advance.

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c) Means

The contracting parties could encourage and facilitate inter alia :

- a continuous exchange of information relevant to economic cooperation as well as the development of contacts and promotion activities between firms and organisations in both regions;
- the fostering, between respective firms, of industrial and technological cooperation, including mining;
- the mutual recognition of the necessity to maintain and improve a favourable investment climate, particularly through investment promotion and protection agreements;
- cooperation in the fields of science and technology, in energy, environment and transport and communications;
- financial cooperation as a means towards achieving the objectives of economic cooperation.

4. Institutions

A Joint Cooperation Committee should be created to supervise and promote the various economic and commercial cooperation activities envisaged. It should be empowered to create Subcommissions to assist it in the performance of its tasks.

5. Territorial application

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6. Languages of the Agreement

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7. Other Agreements

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