



European Communities
Commission
Background Report
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COMMUNITY RELATIONS WITH ASEAN

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Summary

The Association of South Eastern Asian Nations (ASEAN) comprises five countries - Indonesia, Malaysia, the Phillipines, Singapore and Thailand - who have come together to accelerate economic growth, social progress and cultural development in the region, as well as peace and stability.

It is a fast growing region of great potential and the European Commission has expressed anxiety that the Community is failing to invest there on a comparable scale with the United States or Japan.

In November the Foreign Ministers of the ASEAN countries visited Brussels for talks with Community Ministers and the Commission. It was the first ministerial meeting, not just between the Community and ASEAN, but between the Community and any regional grouping of the Third World. It was agreed to explore the possibilities of a co-operation agreement. Journalists will be welcome at a conference on industrial co-operation to be held in Djakarta on February 26-28, 1979.

Background

ASEAN was established at Bangkok on 8 August, 1967, when the five countries agreed in a Declaration that their aim was regional solidarity, co-operation and self-reliance in order not only to ensure the economic and social progress and stability of the ASEAN countries, but also their security from outside interference.

In its first ten years of existence ASEAN initiated regional co-operation in a wide variety of fields. However, at a first summit meeting of Heads of Government at Bali in February, 1976 it was agreed to consolidate and further the cohesion of the region by the Declaration of ASEAN Concord and the Treaty of Amity and Co-operation. * This committed the Association to preserving the stability of each member state, particularly against the threat of subversion, and to the peaceful settlement of intra-regional disputes. On economic affairs the Declaration sought to intensify co-operation in the production and supply of basic commodities, such as food and energy, to encourage large-scale industry, and to expand trade, particularly through the establishment of preferential trading agreements.

In accordance with the Declaration five regional industrial projects have been identified - urea (Indonesia and Malaysia), phosphates (the Phillipines), diesel engines (Singapore) and soda ash (Thailand), white rice and crude oil have been marked out for preferential supply in the event of shortages. Meanwhile,

* See P. 123 November 1978.

*** Note: Background reports are intended as non copy-right ready-reference material on topics of current interest concerning the European Community. An index will be provided periodically so anyone receiving the reports can refer to each number more easily.

820 products are subject to preferential trading agreements, and the Association has deliberately set out to improve trading contacts, including ministerial meetings, with Japan, the United States, Australia and New Zealand.

The regional economy

South East Asia is the fastest growing region in the world. With a total population of 240 million (slightly less than the Community), this compares with just over 300 million for both the 20 countries of Latin America and the 54 ACP countries.

Within ASEAN the annual GDP growth rate in real terms between 1970 and 1976 varied from 6.3 per cent to 8.9 per cent, implying a doubling every 8 - 12 years. (See Table II Annex) The region is also exceptionally rich in natural resources, being the principal supplier of natural rubber (80 per cent), abaca fibres (80 per cent), tropical hardwoods (75 per cent), palm oil (60 per cent) and coconut (50 per cent), as well as being a significant producer of oil, tin, copper, sugar, coffee, tobacco and rice.

The ASEAN countries are seeking foreign investment, not only in basic commodities, but also in manufacturing which represents a growing percentage of GNP and exports. Against this background the Community share in ASEAN development has been disappointing. While it is true that EEC trade with the region has been growing, the Community share of ASEAN markets has been declining, and investment by European companies has fallen behind that of Japan and America.

The table shows the relative share of the three main industrialised powers in ASEAN's external trade between 1960 and 1976 (in per cent):

	<u>Imports</u>		<u>Exports</u>	
	<u>1960</u>	<u>1976</u>	<u>1960</u>	<u>1976</u>
European Community	20.3	14.5	21.2	14.5
United States	13.3	15.3	17.5	20.3
Japan	13.8	22.9	11.4	26.0

Source: P. 123

The Community decline from first to third place in the share of ASEAN trade is reflected in the investment field. Japanese investments in ASEAN at the end of 1976 represented just over 30 per cent of total foreign investment in the region, as against about 23 per cent for the U.S. and 14 per cent for the Community. (See Table IV, Annex) Japanese investment was particularly important in Indonesia, the Phillipines and Thailand.

ASEAN and the Community

The ASEAN share of the Community's trade was 2.4 per cent in 1977 compared with 2 per cent in 1972. Fearful of the effect of British membership of the Community on exports to the British market, in June 1972 the ASEAN countries set up a Special Co-ordinating Committee of ASEAN Nations (SCCAN) consisting of the ministers of trade and the ASEAN Brussels Committee (ABC) composed of the ASEAN Ambassadors in the Community, to maintain regular contact with the Commission and discuss trade problems, with

particular reference to the Community's Scheme of Generalised Preferences (GSP).

ASEAN members made it clear that they wished to be treated as a group rather than enter into individual trade agreements with the Community and, in 1975, a Joint Study Group (JSG) was set up composed of representatives of the Commission and of the five ASEAN governments, which has met regularly since, discussions ranging from the improvement of the Community's GSP and international commodity problems to the transfer of technology and industrial co-operation and investment.

These meetings led to further requests from the ASEAN side for a dialogue at ambassadorial level between the ASEAN Brussels Committee and the Committee of Permanent Representatives (COREPER) and to the ministerial meetings on 21 and 22 November, which was followed by exploratory talks in December. Among matters under discussion are:

- * Stabilisation of export revenue: The Community is prepared to examine, from an overall point of view, the possibility of guaranteeing the developing countries, including ASEAN, stable export revenue, as a complement to other measures. The two sides also undertake to examine the possibility of promoting long-term agreements on commodity supplies between the two regions.
- * Community investment in ASEAN countries: There has been general agreement on encouraging private investment from Community sources, particularly in sub-contracting. There will be an extension of investment protection agreements to include the nine Community states and the five ASEAN states.
- * Transfer of technology: It was agreed that these transfers should be increased, with the possibility of establishing scientific and technical co-operation.
- * Industrial co-operation conference: A second EEC-ASEAN conference will be organised in Djakarta from 26 - 28 February, 1979. This conference will be on industrial co-operation and will be held in conjunction with four major European banking groups. Press arrangements for this conference provide for a number of specially accredited correspondents from Europe who would be granted special facilities. Any journalist interested in attending the conference should contact this office. Participants would have to pay their own fares, but it might be possible to arrange a charter flight if enough people were interested.

ANNEXTABLE IComparison with other developing countries and with the Community

	<u>ASEAN</u> (5 countries)	<u>ACP</u> (54 countries)	<u>Latin America</u> (20 countries)	<u>EC</u>
Population 1976 (millions)	241	311	315	258
Area (1000 sq.km.)	3,051.5	20,445	20,028	1,528
	356	290	1,131	5,380
	26,163	30,185	45,089	949,710
	25,961	29,766	41,247	988,770
	2.3	6.9	5.6	
	2.1	6.4	5.9	

TABLE IIComparison of Average Annual Growth Rates of GDP 1970-1976
(in real terms)

Indonesia	8.3%	Belgium/Luxembourg	4.0%
Malaysia	7.8%	Denmark	2.2%
Philippines	6.3%	Germany	2.2%
Singapore	8.9%	France	3.9%
Thailand	6.5%	Ireland	2.8%
		Italy	2.9%
		Netherlands	3.4%
		U.K.	2.3%

TABLE III

Main Community Imports from ASEAN 1977 (000 EUA)

	<u>Value</u>	<u>% of total imports</u>
Natural Rubber	490.012	11.9
Manioc and other roots	378.045	9.1
Machinery and transport equip.	370.000	9.0
Sawn Timber	343.448	8.3
Textiles and Clothing	312.000	7.6
Tin	291.278	7.0
Palm Oil	249.417	6.0
Coffee	184.400	4.5
Animal feed stuff	157.158	3.8
Copra	149.680	3.6
Oil and Petroleum Products	112.000	2.7
Plywood	84.143	2.0
Tobacco	81.730	2.0

TABLE IV

Pattern of Foreign Investment in ASEAN - percentages

	1) <u>Indonesia</u>	2) <u>Malaysia</u>	3) <u>Phillipines</u>	4) <u>Singapore</u>	5) <u>Thailand</u>
EEC	10.2	18.0	10.7	32.9	11.7
USA	17.5	12.2	33.6	32.9	33.6
Japan	39.9	16.1	25.8	14.3	23.2
Australia	3.5	2.8	4.7	4.1	-
Hong Kong	10.5	10.0	0.8	5.3	10.8
Singapore	2.6	30.6	0.2	-	12.1
Canada	1.5	2.1	2.3	2.0	-
Others	14.3	9.2	21.9	8.5	8.6

- 1) Approved projects in 1976
- 2) Investment in pioneer companies 1976
- 3) Approved projects in 1976
- 4) Investment in manufacturing industries 1976
- 5) Direct investment 1970-76

For all tables source: P. 123 November 1978

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