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Report

drawn up on behalf of the Committee on External Economic Relations

on relations between the European Community and the ASEAN countries and on the Commission proposal for a Council regulation concluding the cooperation agreement between the European Economic Community and Indonesia, Malaysia, the Philippines, Singapore and Thailand – member countries of the Association of South-East Asian Nations

Rapporteur : Mr H.-J. SEELER

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By letter of 29 November 1979 the Committee on External Economic Relations requested authorization to draw up a report on relations between the European Community and the ASEAN.

Authorization was given by the President of the European Parliament in a letter of 21 December 1979. The Political Affairs Committee and the Committee on Development and Cooperation were asked for their opinions.

On 20 December 1979 the Committee on External Economic Relations appointed Mr Seeler rapporteur.

It considered the draft report at its meetings of 20 December 1979 and 22 January 1980, and adopted the motion for a resolution and explanatory statement, with one abstention, on 22 January 1980.

Present : Sir Fred Catherwood, chairman; Mrs Wieczorek-Zeul, first vice-chairman; Mr Seal, third vice-chairman; Mr Seeler, rapporteur; Mr Almirante, Mr Cohen (deputizing for Mr Martinet), Mr Filippi, Mr Irmer, Mr Jonker, Mr Kellett-Bowman, Mr Radoux, Mr Schmitt, Mr Vandewiele and Mr Zagari (deputizing for Mr Ripa di Meana).

The opinion of the Committee on Development and Cooperation is attached.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement :

MOTION FOR A RESOLUTION

on relations between the European Community and the ASEAN, and on the proposal from the Commission of the European Communities to the Council for a regulation concluding the cooperation agreement between the European Economic Community and Indonesia, Malaysia, the Philippines, Singapore and Thailand - member countries of the Association of South-East Asian Nations

The European Parliament,

- having regard to the outcome of the meeting between a delegation from the ASEAN Interparliamentary Organization and the delegation from the European Parliament, on 22/24 October 1979 in Strasbourg,
 - whereas the parliamentary committees concerned were briefed on 19 December 1979 by the President-in-Office of the Council under the Lunds-Westerterp procedure on conclusion of a cooperation agreement between the EEC and the ASEAN,
 - having regard to the proposal from the Commission of the European Communities to the Council¹,
 - having regard to the report of the Committee on External Economic Relations and the opinion of the Committee on Development and Cooperation (Doc. 1-718/79),
1. Supports the development of a community of South-East Asian countries which is likely to promote the neutrality and political stability of that region;
 2. Calls on the Foreign Ministers of the nine Member States of the European Community meeting in political cooperation to support the endeavours of the ASEAN to pursue a policy of neutrality and non-intervention in its relations with the superpowers of the USA, the Soviet Union and China;
 3. Is convinced of the need for the European Community to develop good relations with the ASEAN, so as to support a policy of securing and maintaining peace in that part of the world;

¹ COM(79) 739/final.

4. Calls for the development and improvement of trade and economic relations with the ASEAN, so as to contribute to the emergence and strengthening of new economic powers and to the maintenance of employment in Europe;
5. Welcomes the conclusion of the cooperation agreement between the EEC and the ASEAN, since this may help to increase trade between the two partners as well as improving scientific, technical and cultural cooperation;
6. Calls on the Council and Commission, however, to urge the ASEAN countries to sign the latest GATT agreements in the Tokyo Round as soon as possible, and to exert pressure on Thailand to join GATT so that the international rights and obligations of GATT are applied equally by all the countries concerned;
7. Emphasizes that the two regions' economic interests coincide and that their economies are already complementary to some extent, and underlines the mutual advantage of this agreement;
8. Calls on the Commission to improve access to the relevant markets in the context of trade cooperation;
9. Notes that the Commission has recently begun to impose quantitative restrictions on the import of certain finished goods from the ASEAN region; urges that use be made of the outline agreement to improve protection of sensitive Community industries by appropriate, orderly marketing agreements;
10. Stresses that the European Community must meet the expectations of the ASEAN countries, as these regard the Community as a partner who can help them to achieve a higher degree of economic and social development;
11. Expects the agreement to help to improve the existing favourable investment climate and calls on the Commission to make sure that no distortions of competition occur in the investment sector;
12. Calls on the Council and Commission to press the governments of the ASEAN countries to safeguard human rights in their countries;
13. Emphasizes that regular meetings between delegations from the European Parliament and the ASEAN Interparliamentary Organization can make a vital contribution to the development of mutual relations and to the successful implementation of the cooperation agreement;
14. Regrets, therefore, that no provision to this effect has been incorporated in the text of the agreement, establishing and guaranteeing regular contacts between the European Parliament and the ASEAN Interparliamentary Organization;

15. Notes that the cooperation agreement takes the form of an outline agreement, to be amplified by specific measures and provisions, and therefore calls on the Commission to submit to the relevant committees of Parliament
 - as soon as possible, a comprehensive plan for the appropriate implementing measures,
 - at regular intervals, statistics on the development of EEC-ASEAN trade, together with comparative figures for trade between the ASEAN countries and the EEC's main competitors, and
 - at regular intervals - starting in late 1980 - a report on progress under the cooperation agreement;
16. Emphasizes that the present procedure for the involvement of Parliament in the conclusion of international treaties, which in the EEC are no longer ratified by the Parliaments of the Member States, is extremely unsatisfactory, and is therefore strengthened in its determination to develop a procedure in conjunction with the Council and Commission on the basis of proposals drawn up by its committees responsible, enabling it to ratify future treaties;
17. Approves the conclusion of the cooperation agreement, subject to the above comments, and instructs its President to forward this resolution and the report of its committee to the Commission of the European Community and the Foreign Ministers of the nine Member States of the European Community meeting in political cooperation, and, for information, to the diplomatic representatives of the ASEAN States accredited to the European Community.

EXPLANATORY STATEMENT

At a meeting between a delegation from the AIPO (ASEAN Inter-parliamentary organization) and a delegation from the European Parliament in Strasbourg on 22/24 October 1979, members of the Parliament delegation were given political and economic review of the situation in the ASEAN countries. This was combined with a discussion on the need to increase political, economic and trade relations between the European Community and the ASEAN countries.

This need is dictated by both political and economic considerations. These two aspects form the basis of a motion for a resolution submitted to Parliament by the Committee on External Economic Relations.

1. Strengthening relations between the European Community and the ASEAN countries - political aspects

The Association of South-East Asian Nations (Indonesia, the Philippines, Thailand, Malaysia and Singapore) or ASEAN, was established on 8 August 1967 in Bangkok. Its objectives are to accelerate economic growth, social progress and cultural development in the regions concerned, and to safeguard peace and stability. The objectives also include the promotion of mutual aid in programmes of common interest and the maintenance of close and constructive cooperation with existing regional and international organizations with similar aims.

The main purpose of the ASEAN in the field of international policy is to achieve a balanced relationship with the superpowers so as to attain the objective of a neutrality in South East Asia. At the instigation of the Malaysian Prime Minister an appeal was drafted in 1971, calling for the recognition of South East Asia as a zone of peace, freedom and neutrality. The Declaration of Kuala Lumpur was signed in connection with this appeal.

These aims are now in danger of being thwarted by the current critical political situation on the borders of the ASEAN countries, and particularly in Indo-China.

At the last plenary assembly of the AIPO, and following events in Kampuchea, a resolution was adopted stressing the determination of the ASEAN to take joint action to safeguard peace and stability in the region. Further, the link with the principles of non-intervention, territorial integrity and the self-determination of nations was again underlined.

For political reasons, it is essential that the European Community, and particularly the European Parliament, as the representative of the nations of Europe, should support this commitment to political neutrality by the ASEAN and the undertaking to safeguard peace in this greatly imperilled part of the world.

The ASEAN countries also see their political and economic integration in the context of neutrality, stability and non-intervention. The European Community should therefore foster the objectives of political and economic integration, which will enable the ASEAN to become a major partner on the international political and economic scene.

This political foundation will also affect the further economic development of the region. Hence it should be the task of the European Community in particular to strengthen its economic links with the region and assist it in improving the development of its economic potential.

2. Strengthening relations between the European Community and the ASEAN countries - economic and trade aspects in the context of the new co-operation agreement

(a) General remarks

The five ASEAN countries have a population of 240 million inhabitants (roughly equal to the population of the Community). These nations have the highest rate of economic growth in the world (7.9% in 1978, compared with 3% in the Community). Moreover, the ASEAN countries have very large reserves of raw materials (natural rubber, tropical woods, palm oil, coconut, petroleum, tin, copper, sugar, coffee, tobacco, rice and tea). The ASEAN countries' trade is developing strongly.

Trade between the European Community and the ASEAN countries, however, has been decreasing for some years in favour of other trade partners of the ASEAN, namely, Japan and the USA. The same applies to the investment sector. However, the ASEAN countries now regard the Community as a new economic and trade partner in a position to help them achieve their aims of integration.

These facts speak for themselves; they illustrate the true significance of the new cooperation agreement between the EEC and the ASEAN and the clear need to intensify cooperation between the two regions, which has existed in certain areas (industry, development aid and food aid) since 1972.

(b) The cooperation agreement between the EEC and the member countries of the Association of South-East Asian Nations

After requesting the authorization of the President of the European Parliament to draw up the present own-initiative report on 29 November 1979, the Committee on External Economic Relations was notified by the Council of the European Community by letter of 4 December 1979 that the Commission had been instructed to open negotiations with the ASEAN countries on a cooperation agreement. The negotiations, which had begun towards the end of October 1979, were largely completed by 30 November 1979. Consequently the only course of action open to the Committee on External Economic Relations was to be briefed by the Council at its meeting of 19 December 1979 under the 'Luns-Westerterp' procedure on the content of the text of the agreement, which had not been initialled at that date.

Since then the full text of the cooperation agreement between the EEC and the ASEAN has been forwarded to the European Parliament and thus to the committee responsible, the Committee on External Economic Relations, pursuant to Articles 113 and 235 of the EEC Treaty, for an opinion.

The cooperation agreement

- is non-preferential and evolutionary, enabling political and economic developments on both sides to be taken into account;
- contains a 'most favoured nation' clause and a Protocol taking account of the fact that one of the parties (Thailand) has not acceded to the General Agreement on Tariffs and Trade;
- aims to consolidate, deepen and expand commercial relations between the two regions and provides for a clause whereby the parties will seek their counterpart's views on measures likely to have an adverse effect on trade between the two regions;
- provides for economic cooperation in all fields deemed suitable by the parties; in addition the chapter on economic cooperation contains provisions to give effect to the paragraph of the Ministerial Declaration of November 1978 on investment promotion and protection;
- recognizes the level of development of the ASEAN countries; and
- provides for a Joint Cooperation Committee, to supervise and promote the various activities envisaged.

The content of the cooperation agreement prompts the Committee on External Economic Relations to make the following critical comments:

- although it is intended as an outline agreement, the committee finds, the text of the agreement inadequate.

The Commission is therefore requested to submit without delay a comprehensive plan for implementation of the agreement and to report to the committee

at regular intervals on the progress attained, providing the necessary statistical evidence for this purpose;

- the ASEAN countries are accorded most-favoured-nation treatment. This gives them benefits from the latest GATT agreements, without their having had to assume the corresponding GATT commitments, for as far not one ASEAN country has signed the GATT agreements and Thailand has not even acceded to GATT. The Commission is therefore requested to press the ASEAN countries to sign, or accede to, the GATT agreements at an early date. Although the Commission has stated by way of clarification that textile problems are being dealt with under the Multifibre Arrangement, the committee finds insufficient safeguards in the cooperation agreement to prevent possible market disturbances in this and other fields;
- with regard to the promotion and protection of foreign investment in the ASEAN countries, the committee is not satisfied with the content of the agreement and stresses that the Commission should see to it that no distortions of competition occur in this area;
- with regard to consultation of the European Parliament, the committee regrets that it was not notified by the Commission and Council at an earlier stage that preparatory negotiations were in hand. It is also still critical of the current procedure for involving the European Parliament in the negotiation and conclusion of international agreements, which in the EEC are no longer ratified by the parliaments of the Member States.

Here it is essential for a procedure to be set up with the Council and Commission, as has been requested several times, on the basis of proposals from the relevant committees, so as to enable the European Parliament not only to exercise better control but also formally to ratify future agreements;

- for the purpose amplifying the agreement and for the supervision of the executive bodies as referred to above, the committee considers that regular contacts between the European Parliament and the ASEAN Interparliamentary Organization are essential. The committee therefore regrets that no arrangement to this effect was incorporated in the text of the agreement.

3. Conclusions

The mutual benefit of relations between the EEC and the ASEAN countries, which will be strengthened by the cooperation agreement, arises out of the complementary nature of the two regions. By promoting economic growth

in the ASEAN under the agreement the Community is also helping to increase the purchasing power of 240 million inhabitants in those countries. The Community can thus expand its exports of finished products and technology and thereby safeguard its jobs, whereas the ASEAN countries will, inter alia, increase their exports of raw materials and semi-finished goods to the Community.

The mutual advantage of this agreement also derives from cooperation in many other spheres, such as energy, environmental protection, science and culture, leading to greater mutual understanding between nations.

For this reason the Committee on External Economic Relations welcomes the intensification of parliamentary contacts and approves the conclusion of the cooperation agreement subject to the criticisms set out in Section 2(b) above.

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman: Sir Fred WARNER

On 24 January 1980 the Committee on Development and Cooperation appointed Sir Fred WARNER draftsman of the opinion.

At its meeting of 31 January and 1 February 1980 the Committee considered the draft opinion and adopted it with 2 abstentions at the latter meeting.

Present: Mr Poniatowski, chairman; Mr Bersani, vice-chairman; Mr Denis, vice-chairman; Mr Cohen, Mr Enright, Mrs Focke, Mr Habsburg (deputizing for Mr Lücker), Mr Lezzi, Mr Michel, Mr Pearce, Mrs Rabbethge, Mr Sablé, Mr Sherlock (deputizing for Mr Marshall), Mr Simmonds, Mr Vergès, Mr Wawrzik, Mr Woltjer (deputizing for Mr Glinne)

The Community has concluded an agreement with the ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand) which includes the granting of most-favoured-nation treatment to each State, chapters on commercial cooperation, economic cooperation and development cooperation. All matters concerning cooperation with and the development of the economies of Third World countries are of outstanding interest to the Committee on Development and Cooperation, which has a major role to play in formulating Parliament's opinion on these subjects.

This opinion is concerned with the chapter on development cooperation only. The proposal for the Council regulation which deals with this subject is worded in fairly broad terms: recognition by the Community of the fact that ASEAN is a developing region which must attempt to achieve self-reliance, economic resilience and enhancement of the social well-being of its people through projects which will accelerate development of the countries and the region as a whole. The Community undertakes to intensify its support for ASEAN countries, within the framework of its programme for non-associated countries, and will cooperate with ASEAN to realize concrete projects and programmes, particularly in food production and supplies, development of the rural sector and education and training facilities.

The agreement also states that the Community should also try to achieve coordination of the development cooperation activities of the Community and its Member States with the ASEAN region, and also that the Parties should encourage and facilitate the promotion of cooperation between sources of finance in the two regions.

The committee demands that the Council of Ministers, meeting at its March session, will consider in detail ways of implementing this reference to coordination of development activity between the Community and the Member States.

The total population of the ASEAN countries is approximately 250 million, i.e. about the same size as that of the EEC. Moreover, the ASEAN countries have been developing fast, and EEC-ASEAN trade has been expanding at a rate of 20% per annum since 1970. However, there are wide income disparities within the region: Indonesia with a population of about 150 million has a per capita GNP of less than \$280 (1976): Singapore's 2 million people have an average per capita GNP of \$2,900. The other three countries are low middleincome developing countries, with per capita income in the range of \$400 to \$1,000. It is clearly important that the development funds granted by the Community should be used in such a way as to encourage the development of the poorest countries, and the poorest sectors, and in this connection it is perhaps

somewhat strange to see that the reference to "the promotion of cooperation between sources of finance in the two regions" should be made in the chapter concerning development cooperation rather than in the chapters concerning commercial or economic cooperation.

The agreement proposes the establishment of a Joint Cooperation Committee to promote and keep under review the various cooperation activities envisaged between the parties. The function of this committee, which is almost a traditional institution in this type of framework agreement, is to be responsible for putting into effect the various aims set out in the agreement.

The Committee on Development and Cooperation hopes that the JCC will be able to establish more precise criteria for the allocation of development aid than is set out in the draft regulations, so that the greatest quantity of the limited amount of funds available under the programme for non-associated countries will go to those sectors of ASEAN where the need is greatest.

The Committee appreciates that one of the problems which existed during the negotiations was the exact classification of aid granted under the cooperation chapter, and accepts that it was better to achieve an agreement which was loosely worded, rather than have no agreement at all, especially as this type of agreement is a framework agreement, ie does not provide for actual aid disbursement. However, it is important that the implementation of the agreement should be specific and exact, and the Committee would therefore like to propose to the Committee on External Economic Relations that it should include in its Motion for a resolution some request for a monitoring procedure, by which the Commission can report back to the Parliament perhaps annually (since the agreement is to last for five years at least) on the projects carried out. A detailed plan on the implementation of the agreement should be made available by the Commission.

The committee also takes the view that the agreement is inadequate in certain important aspects. There are commodity agreements, such as the agreements on rubber and tin with countries of the ASEAN region, but there are other commodities originating in ASEAN which are important. One field which therefore should be further examined is some kind of Stabex for certain commodities of importance, which would be mutually beneficial to the two parties.

The committee also regrets that the consultation procedure with the European Parliament in concluding this agreement is unsatisfactory, since the Parliament is consulted only after the conclusion of the negotiations. It is to be hoped that delegations from the

European Parliament and the ASEAN Interparliamentary Organisation can meet regularly during the course of the agreement with a view to helping its successful development.



Luxembourg
P.O.B. 1601