

EUROPEAN PARLIAMENT

Working Documents

1976 - 1977

29 June 1976

DOCUMENT 181/76

Report

drawn up on behalf of the Committee on External Economic Relations

on the outcome of the visit by a delegation from the European Parliament to the countries of the Association of South-East Asian Nations (ASEAN) and on future relations between the European Community and ASEAN

Rapporteur: Mr James SCOTT-HOPKINS

By letter of 19 December 1975, the President of the European Parliament referred the questions of the outcome of the visit by a delegation from the European Parliament to the countries of the Association of South-East Asian Nations (ASEAN) and future relations between the European Community and ASEAN to the Committee on External Economic Relations as the committee responsible, and to the Committee on Development and Cooperation and the Political Affairs Committee for their opinion.

On 20 January 1976 the Committee on External Economic Relations appointed Mr BARNETT rapporteur. On 18 May 1976 Mr SCOTT-HOPKINS was appointed rapporteur in place of Mr BARNETT who has resigned from the European Parliament.

The Committee on External Economic Relations considered the draft report at its meeting of 1 June 1976 and unanimously adopted the motion for a resolution and the explanatory statement.

Present: Mr Scott-Hopkins, acting chairman and rapporteur, Mr Baas, Mr Bayerl, Mr De Clercq, Mr Dykes, Mr Klepsch, Mr De Koning, Mr Laban, Mr Martens(deputizing for Mr Schulz), Mr Nyborg, Mr Pintat, Mr Spicer, Lord Walston and Mr Vandewiele.

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

The Political Affairs Committee decided to give an oral opinion.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	7
Opinion of the Committee on Development and Cooperation	17
ANNEX I : Analysis of the economic situation of the five member countries of Asean	30
ANNEX II : The ASEAN declaration	36
ANNEX III : Exchange of letters setting up a Joint EEC/ASEAN Study Group	39

A

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 the outcome of the visit by a delegation from the European Parliament to the countries of the Association of South-East Asian Nations (ASEAN) and on future relations between the European Community and ASEAN

The European Parliament,

- having regard to the mission report and the summary record of the official visit of the European Parliament's delegation to the ASEAN countries from 16 July to 7 August 1975,
 - having regard to the report of the Committee on External Economic Relations and the opinions of the Political Affairs Committee and the Committee on Development and Cooperation (Doc 181/76),
1. Welcomes the development of an outward-looking association of nations in South-East Asia and looks forward to a growing relationship between the European Community and ASEAN on the basis of mutual interest and fruitful cooperation;
 2. Notes that the aim of the regional cooperation and/or integration advocated by ASEAN is to consolidate peace and stability in South-East Asia and to further the prosperity of the nations in that region and that ASEAN is continuing with its efforts to achieve these political and economic objectives;
 3. Hopes that the European Community, its institutions and its Member States will devote more attention to their increasingly important economic partners in ASEAN;
 4. Recommends the Commission to investigate the possibility of improving economic and trade relations between the EEC and ASEAN, with particular reference to generalized preferences, the promotion of Asian exports, technical and financial cooperation;

5. Invites the Commission to continue its work in the field of ASEAN participation in trade fairs in the EEC, seminars on the EEC scheme of generalized preferences in ASEAN countries and other suitable means of improving the reciprocal flow of information, whilst exploring the possibility of opening European Community Information centres in South-East Asia;
6. Stresses the importance it attaches to a sustained dialogue on many political and economic points of mutual interest and on matters of common concern to parliamentary democracy in our respective countries;
7. Welcomes the plan to set up an ASEAN interparliamentary organization with which it hopes to establish contacts;
8. Invites a delegation of ASEAN parliamentarians to pay a return visit to the Community;
9. Instructs its appropriate committees to follow all aspects of the development of relations between the European Community and ASEAN;
10. Instructs its President to forward this resolution and the report of its committee to the Council and the Commission of the European Communities and, for information, to the diplomatic representatives of the ASEAN countries accredited to the European Communities.

EXPLANATORY STATEMENT

1. Your rapporteur would first like to stress his satisfaction at the fact that the European Parliament is turning its attention for the first time to South-East Asia, a region where he has himself spent some time independent of the official visit by the European Parliamentary delegation.

For more than a generation South-East Asia has been the scene of much conflict affecting all sections of the population. The peoples of this region are eager to achieve lasting peace and the stability essential to their economic development. Europe has a vital duty to recognise these aspirations.

The longstanding political and economic relations which have existed between a number of European countries and the countries of South-East Asia must be continued on a new - i.e. Community - basis. In this connection the European Community has one advantage. As an Asian Ambassador said, the European Community is a power with a future and without the burden of the past. It is with this in mind that the following pages should be read and the development of relations between Europe and South-East Asia envisaged.

Your rapporteur's account of the outcome of the mission is based on the mission report prepared by the delegation for the enlarged Bureau¹, the summary record of the official visit², and the opinion³ drawn up on behalf of the Committee on Development and Cooperation by Mr GLINNE, who was himself a member of the delegation. These documents, together with other sources of information, also form the basis for the ideas set out below on the Association of South-East Asian Nations and its present and future relations with the European Community.

2. As early as 4 June 1974, the Bureau accepted in principle a joint invitation from the governments and parliamentary authorities of the five countries of the ASSOCIATION OF SOUTH-EAST ASIAN NATIONS (ASEAN); INDONESIA, the PHILIPPINES, THAILAND, MALAYSIA and SINGAPORE. On 9 April 1975, the Bureau decided that a delegation from the European Parliament

¹ PE 42.763/BUR

² PE 41.626/rev.

³ See attached opinion

would undertake a fact finding mission to the ASEAN countries in summer 1975. This visit was made over the period 16 July to 7 August 1975.

3. On a proposal from the political groups, the delegation, led by Mr Georges SPENALE, was composed of the following: Mr C. BERKHOUWER, Mr J. DURIEUX, Mr Kr. ALBERTSEN, Mr J. SCOTT-HOPKINS, Mr I. FRÜH, Mr Fr. D'ANGELOSANTE, Mr W. SCHOLTEN, Mr V. VERNASCHI, Mr E. GLINNE, Mr K.-H. WALKHOFF and Mr J. M. GIBBONS. Mr P.B. COUSTE replaced Mr GIBBONS who was unable to take part. The delegation represented all the political groups in the European Parliament.

4. The delegation stayed in :

- THAILAND	from 16 to 20 July
- MALAYSIA	from 20 to 24 July
- SINGAPORE	from 24 to 28 July
- INDONESIA	from 28 July to 3 August
- THE PHILIPPINES	from 4 August to 7 August 1975.

5; This parliamentary mission collected a great deal of political and economic information. In the five ASEAN countries the delegation had top-level meetings with heads of state, heads of government and members of governments. It also held talks with the executives of a number of political parties and with parliamentary committees or delegations with a particular interest in its visit. In the five capitals it met the ambassadors or chargés d'affaires of the Member States of the Community. The official programmes included many visits to economic, rural development, agricultural, industrial and social projects. At every stage of the visit the delegation or its leader held international and local press conferences. The delegation was everywhere received enthusiastically and with great courtesy and kindness.

6. Despite the considerable differences in racial composition, religion, culture, political and economic development, the five countries visited were remarkably united in their desire for political and regional cooperation. Visiting the five countries in succession, the delegation from the European Parliament formed the clear impression that ASEAN now constitutes an essential element in the political life of each of its member states and of the region as a whole.

7. Future relations between the European Community and ASEAN can conveniently be considered under the following three headings:

- what does ASEAN mean to its five member states?
- what does ASEAN mean to the European Community?
- what does the European Community mean to ASEAN?

What does ASEAN mean to its five member states?

ASEAN has both political and economic functions. From the economic point of view, it was conceived as an instrument of economic alignment for five neighbouring developing countries. These are all normally classed as developing countries because they are characterised by relatively low per capita gross national products¹, rapid population growth, poorly developed economic and social infrastructures, lack of diversity in agricultural production, communication difficulties, nascent industries, heavy dependence on foreign investment, and considerable vulnerability in international sectoral or general crises.

From the outset the economic situation has varied very considerably from one member state of ASEAN to another²; the same applies to the level of agricultural and industrial development reached in the various countries. Within the region there is a wide diversity in levels of development, and these exist within individual countries.

Economic interests also differ from one member state to another. All the ASEAN countries are pursuing rapid industrialization programmes but some base their development plans on the satisfaction of internal demand and others on the exportation of primary products or on re-exportation. As regards agricultural, handicraft and industrial production, the five economies seem more often competitive than complementary.

8. The cooperation established at economic level has not yet yielded any major achievements. The idea of transforming ASEAN into a free trade zone is supported by Singapore and the Philippines but rejected by Indonesia and Malaysia. The compromise reached on the idea of a preferential trade agreement is interesting but has not yet been put into practice. The negotiation of international agreements on certain raw materials works to the advantage of individual member states but in practice means operating outside ASEAN and involving other countries. Trade within the Association, while growing, is still modest because of current production structures. At all events it will be a long time before it eliminates heavy dependence on access to other remunerative markets. The amount of foreign investment in all these countries is now recognised as a sign of dependence but it is difficult to imagine any solution other than the diversification of foreign sources of capital.

9. Thus, from the economic point of view, the regional integration of ASEAN at present consists primarily in the formulation of a common approach to economic development and the adoption of certain decisions of principle on cooperation in the fields of food aid and energy, particularly in the event of shortages, attempts to coordinate the market in raw materials and the

¹ Except Singapore.

² See Mr GLINNE's opinion

creation of ASEAN industrial enterprises, i.e. the building of factories producing for ASEAN as a whole.¹

10. Politically, ASEAN represents an effort by the five member states to establish a completely separate economic and political zone which is not subject to the exclusive or predominant influence of any one of the three major powers active in Asia. This objective finds expression in the theory that ASEAN should be 'equidistant' from the major powers. It is crucial to the Member States that this political effort should be recognized at the international level, and particularly by the major powers.

In practice, this attitude, aimed at maintaining a degree of independence from the three super-powers, seems to sum up satisfactorily the policy of the Association as a whole. The five member states all follow this general policy to a greater or less extent, according to their geographical or political situation and their own ability to resist interference from outside.

11. As a framework for political cooperation, ASEAN has already shown that it is capable of achieving rapprochement, particularly through the adoption of common or fairly close positions on certain aspects of foreign policy, such as the systematic evacuation of foreign bases on its territory and closer relations with Peking.² These important common objections - which have not, however, taken the form of common action by the partners - are based not only on common geopolitical and historical factors but also on a new desire for common progress and a sense of common destiny, known locally as the 'ASEAN spirit'. This atmosphere and new political resolve not only facilitate relations between the national governments but also help to resolve conflicts or reduce them to a controllable and limited level.

ASEAN has decided to consolidate its institutional structures by setting up a permanent general secretariat in Djakarta.

12. ASEAN does not regard itself as a closed club. Many joint official statements, particularly by Heads of State or Government of ASEAN, emphasize that the Association is open and ready to welcome neighbouring States. This applies in particular to the States of Indochina: Laos, Vietnam, Cambodia and Burma. Australia and New Zealand, although not considered eligible to join the Association, are treated as special partners because of their geographic proximity. The Indian sub-continent and Formosa are not considered potential members.

¹ Decisions adopted at the ASEAN Summit Conference on 23/24 February 1976.

² Establishment of diplomatic relations between China and Malaysia on 31 March 1974, between China and the Philippines on 9 June 1975 and between China and Thailand on 1 July 1975.

This desire to form an association of states having very different political systems and attitudes may at first appear surprising, but should be seen as part of the political desire for peace, stability and a certain neutrality in the region. ASEAN strictly respects the principle of non-interference in the domestic affairs of its members. This being the case, it is theoretically possible to visualise an association of about ten states, covering a wide diversity of political systems. In practice, however, the offer of association, clearly made by the ASEAN member states, has not yet been accepted by the countries concerned.

13. Although the main aim of the Association is political stability in South-East Asia, another objective which is important to each member state should also be stressed: internal economic, social and political stability. All the political leaders in the area are aware that it is impossible to guarantee the stability of the area or internal political stability in the medium or long term until the national communities develop their own social and economic stability. Greater prosperity for the majority is a pre-condition for peace.

The question of the political evolution of the area thus remains open. There are many significant external forces and internal factors. Each of the states in the area faces considerable political and economic difficulties in its progress towards harmonious internal development and general prosperity for its people.

What does ASEAN mean to the European Community?

14. From the beginning, ASEAN has stated that its objective was to establish an era of political stability and peace in an important area of the globe.¹ From all points of view - political, economic and commercial - this objective is in keeping with the interests of the European Community.

15. Like the European Community, ASEAN aims to bring about regional economic cooperation and joint political action. This being the case, and since its members are all developing countries, the European Community has decided, as it has done for certain other economic groupings, to grant ASEAN's requests for cooperation and assistance².

¹ See Kuala Lumpur declaration of 1967 (Annex II)

² Decision of the Council of the European Communities, 30 April 1974

16. The formation of ASEAN reflects a common resolve to maintain or to increase its member states' independence of the major military and economic powers which are active in the region. The desire to resist becoming a satellite by creating 'equidistant' links may result in South-East Asia remaining outside power blocs and being open to exchanges with all and retaining some measure of independence.

17. For Europe, South-East Asia has always been an important supplier of primary commodities. Its mineral resources - including petroleum - and vegetable raw materials¹ may, in a harmonious and effective development process, make this region a powerful commercial partner. The ASEAN countries are already a major market for EEC exports.

19.8% of Thailand's overall imports came from the EEC (1973); the corresponding figures were 19.9% for Malaysia (1973), 19.0% for Indonesia (1972) and 12.7% for the Philippines. In the same reference years, 17.7% of Thailand's total exports went to the EEC, 21.0% of Malaysian exports, 13.2% in the case of Indonesia and 12.2% for the Philippines.

18. Just as ASEAN may expect to learn from the EEC's longer experience of regional cooperation, so the EEC can hope to benefit from those contacts with another group of nations whose experience may have lessons for us.

19. For all these political and economic reasons, ASEAN is already an interesting partner for the European Community. In the light of such economic forecasts as can be made, its future seems promising. The European Community should therefore pay greater attention to that region, to the Association as such and to the countries of which it is composed.

What does the European Community mean to ASEAN?

20. In principle, ASEAN might consider the European Economic Community in purely economic terms. In practice, Europe of the Nine is not merely an economic partner but, in a certain sense, a model for regional development and integration between states in a particular region. They can learn from our experience - from our successes as well as our failures. Behind all the commercial and economic discussions, broader questions arise concerning the method of Community integration, common institutions and policies and, finally, the prospects of the Community and its role in the world. ASEAN sees present-day Europe not as a former colonial or a new imperialist power, but as an interesting economic and perhaps political partner in the constellation of large and medium-sized international powers.

¹ - natural rubber, forestry products (teak, construction timber), copra, coconut oil, palm oil, cane sugar, tobacco, pepper and spices, coffee, tea, pineapples and tropical fruits
- tin, iron, bauxite, copper, nickel, manganese, chromite, zinc.

The ASEAN countries all wish to strengthen their relations with the European Community, which is seen as a new community of nations and is not suspected of imperialist ambitions. In that sense, they welcome the European presence with sympathy and interest. This new role of Europe in South-East Asia can only be developed in agreement with the countries of that region and, where possible, in harmony with the other powers which do not geographically belong to the region.

21. Individually and, if possible, jointly, the European and South-East Asian groupings both seem well placed to assist in the promotion of a new international economic order genuinely favourable to developing countries, which would incorporate a just attribution of rights and responsibilities.

Together, ASEAN and the European Community could try to develop a dialogue on the principles of a new international economic order of this type and on the best means of achieving it.

22. With regard to institutional cooperation between ASEAN and the European Community, the good relations which have existed for years at Brussels between the Community institutions and the diplomatic representatives of the ASEAN countries and the creation last year of a joint EEC/ASEAN study group¹ are to be welcomed.

¹ Relations between the Community and ASEAN have been stepped up since 1972. The Special Coordinating Committee of ASEAN Nations (SCCAN) in Bangkok was instructed by the Ministerial Conference in Singapore (1972) to prepare the dialogue between ASEAN and the European Community. Following a meeting between a delegation of ASEAN and a delegation of the Commission led by Mr DAHRENDORF, the committee in Brussels responsible for relations with the Community (ASEAN Brussels Committee (ABC)) was instructed to consider jointly with the Commission of the European Communities a list of questions of mutual interest (comparison of statistics on foreign trade, application of generalized preferences, legislation on investments, barriers to trade and problems in connection with primary products). In September 1973, an important delegation of the Commission led by Sir Christopher SOAMES went to Bangkok to hold an exchange of views with the Trade Ministers of the five ASEAN countries, meeting specially for the purpose. During the same year, the Commission took part in a series of seminars and colloquies organized in the five capitals (Bangkok, Kuala Lumpur, Singapore, Djakarta, Manila) to inform the beneficiary countries of the advantages of the Community system of generalized preferences. In February 1974, in Djakarta, Mr ORTOLI, together with the Indonesian President, Mr SUHARTO, outlined the prospects of trade relations between the Community and the ASEAN countries. In September 1974 a Commission delegation led by Sir Christopher SOAMES visited Indonesia, Malaysia, Singapore and the Philippines. In Djakarta, the delegation held an exchange of views with the representatives of ASEAN on problems of mutual interest. The two parties agreed on this occasion to set up a joint study group. The institutionalization of relations with ASEAN was confirmed by the creation, on the conditions laid down in an exchange of letters dated

23. The joint study group was created to foster the development and definition of a permanent dialogue between ASEAN and the Commission and to allow both parties to explore together all the fields in which they could broaden, set up and diversify their cooperation, taking into special account the development requirements of the ASEAN countries and the evolving situation in the Community.

24. In his opinion drawn up on behalf of the Committee on Development and Cooperation, Mr GLINNE considered at length the individual ways in which trade relations between the EEC and ASEAN could be improved, particularly by means of generalized preferences, the system of cumulative origin for ASEAN products, and the promotion of exports and food aid. He also considered certain aspects of longer term cooperation, in particular Community financial loans, and recommended the opening in an ASEAN country of a Community information and liaison office. The rapporteur wishes that the Commission and Council study the last suggestion, bearing in mind that there may well be more suitable ways of deploying EEC resources in this field.

25. The two regions will be able to develop mutually beneficial relations as long as they do so on the basis of a realistic appreciation of interests

7 May 1975¹, of a joint study group composed of representatives of the Commission on the one hand and representatives of the five member states of ASEAN on the other. The first meeting of the Commission-ASEAN joint study group was held in Brussels on 26 and 27 June 1975. Sir Christopher Soames, Vice-President of the Commission responsible for external relations, and Mr Radius Prawiro, Indonesian Trade Minister and Head of the ASEAN delegation, jointly chaired the inaugural meeting. The meeting then continued at senior civil servant level.

¹ See Annex III.

in both regions¹. However, it is possible that these relations could remain at a minimum level because of the methods used by one region or the other. The Community could give economic encouragement to the integration movement in ASEAN. This could be done by means of specific commercial agreements (textiles and other semi-finished or finished products), and perhaps by guarantees to purchase certain non-competitive products or non-similar products lacking in the Community (soya, wood pulp). It could also be done by means of systematic efforts to promote trade and information for public and private investors².

26. ASEAN has requested and already obtained improvements to the Community system of generalized preferences. Without acting to the detriment of other developing countries (associated ACP countries, including the least-favoured), it should be possible to make better use of certain advantages offered by the Community preferences system. Certain products which are particularly important for the ASEAN countries could then be included.

The European Community could therefore make a contribution to the economic development of the ASEAN countries and their regional integration.

27. In the political sphere, while recognizing the differences in situation and history as well as the principles of non-interference which must be respected it would be wrong to overlook a priori the indirect influence of the Community on its partners in such sensitive but vital areas as the defence and restoration of civil liberties, representative democracy or basic human rights.

It should be pointed out in this connection that in the countries visited during the mission the delegation of the European Parliament took an interest in the fate of political prisoners, in the application to them of normal legal procedures, and in the real status of parliamentary opposition.

28. It should be noted that formulae of direct democracy as developed for instance in the Indonesian system of 'Musjawarak' (debate leading to unanimity) have aroused keen interest among members of our delegation.

29. The European Community, and in particular its parliamentary representatives, must help ASEAN to form a realistic picture of the actual scope and competence of the Community so as to avoid any exaggerated idea of the resources available for development cooperation policy.

¹ See the analysis of the economic situation in the 5 countries (Annex I) the

² See the brochure on the 5 ASEAN countries produced by the Commission and the ASEAN Brussels Committee, second half of 1975, 172 pages.

30. All these points show that there are many questions of mutual interest which should be considered jointly by the representatives of both groupings and some more especially by their parliamentarians. That is why your rapporteur unreservedly supports the proposals put forward by the delegation of the European Parliament which visited the ASEAN countries, aimed at continuing the dialogue which has already begun and at strengthening at parliamentary level the links already established between ASEAN and the European Community by means of occasional inter-parliamentary exchanges, contacts with the ASEAN Brussels Committee and reciprocal information, particularly on the work of the joint study group.

31. The European Parliament is by definition greatly interested in the ASEAN project to set up an ASEAN inter-parliamentary organization and considers that the gradual introduction of such an assembly, with which it could establish a permanent dialogue on all questions of common interest, would be extremely beneficial.

32. The rapporteur welcomes the invitation from the Bureau to the parliamentary authorities of the ASEAN countries to pay an official return visit to the Community and hopes that the proposed meeting will bring new benefits to the inter-parliamentary dialogue which began in the summer of 1975.

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman : Mr GLINNE

On 17 September 1975 the Committee on Development and Cooperation appointed Mr GLINNE draftsman.

It considered the draft opinion at its meeting of 18 February 1976 and adopted it unanimously.

Present: Miss Flesch, chairman; Mr Deschamps and Mr Sandri, vice-chairmen; Mr Glinne, draftsman; Mr Bersani, Miss Boothroyd, Mr Broeksz, Sir Geoffrey de Freitas, Mr Hansen, Mr Krall, Mr Ligios, Lord St. Oswald and Mr Walkhoff.

I. Introduction

1. The Association of South East Asian Nations (ASEAN) was set up in 1967 with the aim of encouraging progress and stability in that part of the world through cooperation in the cultural, economic and political fields. ASEAN Member States seem divided over the ultimate aim of the Association: for example while Singapore and the Philippines want some kind of common market, Indonesia is totally against this.¹ Five countries belong to ASEAN: Indonesia, the Philippines, Thailand, Malaysia and Singapore². Various institutions have been created in ASEAN. A ministerial conference is convened annually, and a standing commission prepares these meetings. Eleven permanent committees and five special committees deal with particular economic problems. Among these, the ASEAN Brussels Committee is particularly important. It acts as a liaison office for the representatives of the ASEAN countries in Brussels and defends ASEAN interests. The Community receives periodically from this committee memoranda on questions of particular topical interest to ASEAN (generalized preferences, export openings for ASEAN products such as tobacco, manioc and timber).

In January 1975, the ASEAN Member States also took a decision of principle in Djakarta to implement a form of parliamentary cooperation between ASEAN countries.

The Indonesian general Dharsono, formerly commander of West Java, is shortly to be appointed secretary-general of ASEAN.

2. In May 1975, following a visit in September 1974 by Sir Christopher Soames to a number of ASEAN countries, a joint EEC/ASEAN study group was created. This study group met for the first time in June 1975; on that occasion it made a special study of cooperation for the promotion of trade

¹ Nevertheless, some progress was made at the ASEAN summit conference held in Bali on 23 and 24 February 1976. A friendship and cooperation treaty was concluded with the aim of finding peaceful solutions to any differences between the ASEAN countries. It was also decided that the ministers of economic affairs - who will meet in Kuala Lumpur on 8 and 9 March 1976 - should use the occasion to discuss economic cooperation, with particular reference to:

- food and energy supplies in the ASEAN countries,
- the setting up of large-scale industrial projects (including urea, super-phosphate, steel, rubber and petrochemical products),
- preferential arrangements to increase mutual trade,
- adoption of a common position on international raw materials agreements, etc.

² There are differences of opinion among ASEAN countries as to the desirability under present circumstances, of a possible enlargement to include Vietnam, Laos and Cambodia. Clearly such an enlargement depends both on these neighbouring states wishing to join and on the elimination of the fear which some ASEAN countries have of the danger of a more intensive guerilla war.

and the granting of EEC aid to assist the integration of ASEAN. The study group is due to hold its second meeting in Manila from 4-7 May 1976.

A delegation from the European Parliament led by its President made an official visit to these countries between 15 July and 7 August 1975 at the invitation of the ASEAN countries.

This visit led to the preparation of a report by the European Parliament on relations between the Community and ASEAN.

II. Existing cooperation between the EEC and ASEAN

(a) Generalized preferences

3. The difficulties which have occasionally arisen - particularly since the accession of the United Kingdom to the Community - in connection with the export of ASEAN products to the EEC must not be underestimated. ASEAN members of the Commonwealth enjoyed preferential access for their products to the British market prior to UK accession. Following accession, the UK is obliged to raise its tariffs to EEC levels. An attempt was made to overcome the difficulties which this created for a number of Commonwealth countries¹ by granting tariff preferences on the principal products exported by these countries to the Community. In the past, when solutions were sought to supposed problems in this area, reference was usually made to the beneficial effects of the generalized preferences system. Your committee is not, however, convinced that this effect is always beneficial. Preferential treatment has indeed been granted for a number of agricultural products, but since the ACP can sell these products freely on the Community market, the competitive position of the ASEAN countries is not always strong. This is particularly true of products such as pineapples, palm oil, palm kernel oil, coconut oil for industrial purposes, paper, three-ply and multi-ply wood and some fishery products². The ASEAN countries also have only a limited number of export products which can qualify for generalized preference. Consequently, they must on the one hand compete with the ACP countries, while, on the other, UK accession to the Community has in some cases led to greater protection for industrial countries to the detriment of the developing countries. For example, on the basis of Protocol No. 11 a large zero-tariff quota for three-ply and multi-ply wood has been granted, enabling a country such as Canada to expand its traditional exports to Great Britain under preferential conditions.

¹ This applies e.g. to 44% of total exports from Malaysia

² See the answer by Mr Gundelach to Mr Scott-Hopkins' question during question time in the European Parliament on Wednesday, 12 November 1975 (OJ 196, November 1975)

Certain ASEAN countries also produce three-ply (from various types of hard wood), some of which is used in the European building industry, where Canadian three-ply (made from coniferous wood) is also used, so that the two products are in direct competition. The Canadian quota seems far too high, particularly since all the countries which qualify for the generalized preference scheme in 1976 had at their disposal a total quota of only 113,500 cubic metres. Compared with 1975, this quota has only been raised by 8% whereas in general the increase has been 15%. Given the present rate of inflation, this is clearly a setback.

4. Similarly, a number of industrial products, such as radio receivers, which certain ASEAN countries, e.g. Singapore, should be able to export to Community, are subject to such stringent quantitative restrictions that the advantages gained are minimal. In general the suitability of the method adopted by the Community for some years now - resulting in a lower ceiling on certain products which a number of developing countries are favourably placed to export - must be reviewed. It is a strange coincidence that this provision applies for the most part to products which are also produced in the Community. This leads to the suspicion that the lower ceiling may have been instituted not so much to benefit other developing countries as to protect the Community's own industries. It is obviously inequitable to punish the developing countries for managing to benefit from the opportunities afforded to them by the system of Community preferences.

5. Be that as it may, there is no reason not to welcome the Community's efforts to teach the ASEAN countries to derive the fullest possible benefit from the system of generalized preferences. Particularly important in this connection is the facility granted by the Community to ASEAN for cumulation of the rule of origin. Broadly speaking, this means that the Community treats the ASEAN countries as one single customs territory. To qualify for the generalized system of preferences on exportation, a product must have been manufactured in a country benefiting from the system. In order to qualify a certain percentage of the product must have been manufactured in the country of origin itself. If such a product has undergone processing in more than one ASEAN country, the percentages may be added together for the purpose of determining the origin of the product.

(b) Encouragement of exports

6. Moreover, the Community has, by granting technical and financial facilities, made an effort to give exporters in the ASEAN countries the opportunity of making ASEAN products better known in the Community. This has been done through participation in a number of exhibitions and industrial fairs, and by study visits for ASEAN experts. The Community spent 1 million u.a. on a number of projects for the encouragement of trade in nine Asian countries resulting in contracts worth several million dollars.

Finally, the Community has awarded a contract for a feasibility study of the transport by sea of general cargo from ASEAN to the EEC.

(c) Food aid

7. In the past, the Community has granted food aid to individual ASEAN countries (Indonesia and the Philippines). Under the 1973/1974 programme 21,000 tons of grain were delivered to Indonesia and 5,000 tons to the Philippines. The same countries also received a small quantity of skimmed milk powder.

III. What the Community can do for ASEAN

8. To claim that the Community will probably soon be doing far more for ASEAN than it is at present, would raise false hopes. As the former President of the EEC Commission, Mr Rey, said in his capacity as Chairman of the European Movement on 4 February last at a press conference: neither the United States, nor Russia, nor China are so badly governed as Europe. This holds good in the sphere of development cooperation as well. The European Commission has made numerous proposals, but the Council is seldom able to make a decision. The European Commission in its Communication to the Council¹ entitled 'Development Aid - Fresco of Community action tomorrow' indicated how it envisaged development policy in the next few years. On 30 April and 16 July 1974 the Council adopted a number of resolutions and recommendations. Since then little concrete progress has been made - apart from the Lomé Convention, which is still the cornerstone of Community policy in this area. For want of anything better your rapporteur must therefore base his report on the aforementioned information. In its communication¹ the European Commission explained its priorities for financial and technical cooperation with the non-associated countries. It refers in particular to:

- making good the food deficit by implementing the food aid measures in a satisfactory manner in both the long and short term.
- measures to promote regional cooperation and integration between developing countries. The Community clearly lends its support in this area, since it has itself learned that scaling-up results in savings, and the developing countries concerned could thus jointly define their priorities.

9. Financial help will also remain essential. As the European Commission notes (p.23): financial cooperation remains the most necessary instrument of an overall cooperation policy.

¹ Doc. 430/74

As far as the conditions and the manner of granting aid are concerned, both donations and loans on market conditions are proposed. Loans would be provided by the EIB. The conditions for donations and loans would depend primarily on the situation in each beneficiary country.

10. Up to now, few of the Commission's proposals have been put into effect, yet pressure on the Community from the developing countries is growing steadily. The Latin-American countries with which the Community, and particularly the European Parliament, established a dialogue several years ago, have repeatedly called for intervention by the European Investment Bank. In view of the level of development of the ASEAN countries (see table below) most of the aid from the Community will have to be granted in the form of loans. In the opinion of your rapporteur, the European Investment Bank ought to play a part here, even though it was not in any way conceived for this purpose. Its activities in those developing countries, which were eligible from the outset for EIB loans, have always been hampered by a structure which does not have the true character of a development bank. Your rapporteur therefore proposes that the European Commission should submit concrete proposals to the Council as soon as possible stating how and under what conditions the EIB could be transformed into a genuine development bank.

	Population (000) 1971	GNP per inhabitant (\$) 1971	Exp. as % of GNP
<u>POOR DEVELOPING COUNTRIES</u>			
(gross national product per head less than \$200)			
(a) countries with large population and large domestic market			
Indonesia	120,000	100 (1974)	15
(b) countries whose economy is dependent on exporting primary products			
Thailand	37,300	210	25
<u>MEDIUM INCOME DEVELOPING COUNTRIES</u>			
(GNP per inhabitant between \$220 and \$530)			
(a) countries whose economy is dependent on exporting primary products			
Malaysia	11,200	400	41
(b) increasingly industrialized countries			
The Philippines	37,900	240	16
<u>HIGH INCOME DEVELOPING COUNTRIES</u>			
(GNP per inhabitant more than \$640)			
(a) increasingly industrialized countries			
Singapore	2,110	1,200	83

11. The Community should make concrete proposals to encourage regional cooperation and integration in ASEAN. One of the resolutions adopted by the Council on 16 July 1974 included a proposal that the Community should react favourably to requests for assistance to achieve these aims. The initiative must of course come from ASEAN itself, since the countries concerned must decide for themselves how far their integration is to go and how it is to be arranged. However, until now, the Community has done little more than to make a few officials available for a short period to help with the compilation of statistical data. During the visit by the European Parliament delegation, it transpired that the ASEAN countries often had a much too favourable impression of the headway made towards integration within the EEC. Your rapporteur considers that it would be useful if the Community services indicated to ASEAN those concrete aspects of ASEAN integration in respect of which our assistance could be offered. It should be borne in mind that the Community's budget for 1976 includes only 260,000 u.a. for assistance in regional integration (wherever it may occur).

12. Information on developments in the Community ought also to be better presented. The Community should set up an information office for this purpose in one of the ASEAN countries. The Community is admittedly already represented in Japan, but the position of Japan differs completely from that of the other countries in Asia. Moreover, the Community is represented at two different places in both North America and South America. Clearly, there is a great need for a second office in Asia, and, during its visit, the delegation formed the distinct impression that such an office would be able to perform extremely valuable work in the ASEAN countries. The Community ought to be represented as such in an area which will in all probability be of increasing importance to it both economically and politically.

13. In areas where the Community is already active, additional efforts must be made in future to further relations with ASEAN. Possibly, the first of these is the system of generalized preferences. The Community has it is true already made some progress in this area, but, as far as ASEAN is concerned, the advantage of the system of generalized preferences is limited by the fact that, at the time when it was set up, the Community paid too much regard to her own interests and to those of the ACP. Your rapporteur considers that excessive protection for the Community is fundamentally wrong. Whichever way one looks at it, as long as the Community's agricultural policy remains a sacred cow, it will be a serious hindrance to a successful Community development policy. The same is true, though to a lesser extent, of the protection of those industries in the Community which have most to suffer from the consequences of a system of generalized preferences, such as the textile and footwear industries. Your committee repeats what it has already so often said, namely that the poorer sections of society cannot be left to bear the

consequences of the Community's development policy. It is high time the Community took measures to restructure industry in order to spread the consequences of its development policy more equitably between all regions and groups in the population. The Community should also pay more attention to the repercussions which the United Kingdom's accession to the Community has had on some ASEAN countries. Examples of this are pineapple preserves and three-ply. The substantial annual zero-tariff quota at present operating in favour of certain industrial countries (e.g. Canada) must be slowly dismantled. If this is not found desirable for political or economic reasons, it ought to be possible - in order to accommodate the developing countries - to create a special subheading in the CCT for the special sort of hardwood three-ply which is used in the building industry and, for this purpose, to open a quota at a reduced - or even zero - tariff rate within the generalized system of preferences.

14. Some ASEAN countries grow agricultural products, for example soya beans, of which the Community is in great need. It is therefore obvious that an important feature of the Community's policy must be collaboration with a view to encouraging production of these products in ASEAN countries. Of course the intention is not that ASEAN should simply produce primary products for subsequent processing in the Community, but advantage should be taken of a situation where there may be benefits to both sides.

The industrialization of some ASEAN countries has already begun and it is therefore highly desirable that the Member States' public assistance for private investments should be coordinated at Community level. The Community should also begin industrial collaboration with and technological assistance to non-associated countries. For instance, contacts should be made easier between industry and those responsible for industrial development, and the reciprocal exchange of information, transfer of technology and exchange of industrial property should be encouraged.

15. Finally, financial and technical collaboration must also be achieved in the long run. Despite the Council's resolution of 16 July 1974 on this point, your committee is not very optimistic about rapid implementation. It is entirely due to the European Parliament's efforts that in the 1976 Budget provision was for the first time made (20 million u.a.) for financial and technical aid to non-associated developing countries. Nevertheless it cannot be denied that, if the basic principle of the Community as expounded by the Commission in its 'Fresco' is accepted, i.e. 'to each according to his needs', ASEAN is certainly eligible for financial cooperation in the long term. ASEAN's economic potential is moreover such that there is every reason to suppose that the Member States would find development collaboration of this type with ASEAN to be to their advantage. Annex I shows what action the Member States took in 1973 by way of assistance to ASEAN. Private sector

assistance has clearly already reached fairly high levels, particularly to Indonesia. This is the best proof of the attractiveness of ASEAN countries as judged by industry.

IV. Conclusions

16. In this report, your rapporteur has intentionally confined himself to specific opportunities for improving relations between the EEC and ASEAN. This means that he has purposely not given a comprehensive account of the political and economic situation of the ASEAN countries nor of that part of the Community's development policy (raw material agreements, reform of the international monetary system, offset financing by the IMF, harmonization of export credits and investment guarantees) which applies to all developing countries.

However, one exception must be made as regards the political situation in ASEAN. In some countries, particularly Indonesia, the position was such that the delegation from the European Parliament felt it necessary to raise the subject during its visit. Point 16 of the summary record of the visit (PE 42.763(BUR)) states that the Community could exercise indirect influence on attempts to find solutions on such matters as the restoration of human rights, fundamental rights and representative democracy. In a letter to the President of the European Parliament your committee requested him to ask the Political Affairs Committee for its opinion on this subject. It considers that in the future, when parliamentary contacts are established between the European Parliament and representatives of ASEAN, these questions will be raised.

17. Mention should also be made here of the results of the parliamentary mission. It should be clear to everyone that in the initial stages these are not particularly concrete or tangible. The purpose of a visit of this kind is the reciprocal exchange of information and to create understanding of each other's situation and views. Judged in this light, the delegation's visit has certainly been a success. The delegation found that ASEAN is an established reality, and in a political sense, a living concept for large sections of the population. The awakening of a political consciousness of ASEAN is all the more important at a time when the withdrawal of American troops from Vietnam has made it possible for South East Asia to take its place in more balanced international relations. This awakening of political awareness is also an excellent basis for the expansion of ASEAN as an instrument of economic integration in South-East Asia. Members of the delegation gained their first impression of the political and economic possibilities and difficulties in that part of the world and it is intended that the initial contacts should be strengthened further during the return visit by an inter-parliamentary delegation from ASEAN.

18. Meanwhile the members of the delegation must do their utmost in the European Parliament to further the legitimate interests of ASEAN. This should be done by improving the measures which the Community has already taken to assist ASEAN, i.e. generalized preferences, food aid, assistance in economic integration, promotion of exports.

Furthermore the Community must begin as quickly as possible, subject to the availability of funds, to implement practical financial and technical aid projects. The Community has been hesitating for far too long to pursue a policy in this area extending beyond the associated states. Now that the Council has confirmed in principle that financial and technical aid will be granted to non-associated developing states, the amount and the method of providing this aid must be fixed as quickly as possible. The Community has already laid down its policy on the associated states. The logic of the situation in the Community and in the developing countries in the world demands that in future the Community should pursue its development policy in a far more energetic way.

19. Finally, your rapporteur is of the opinion that the Community should set up an office in one of the ASEAN countries to supply information about the EEC in ASEAN, and at the same time to act as a liaison office between the Community and the ASEAN countries. In view of the economic and political importance of relations between the Community and South-East Asia, the setting up of such an office, in your rapporteur's judgment, is clearly in the Community's own interest.

PAYMENTS BY EEC COUNTRIES TO THE ASEAN COUNTRIES

IN 1973 (\$ mill)

	BENEFICIARY COUNTRY				
	<u>Indonesia</u>	<u>Singapore</u>	<u>Thailand</u>	<u>Malaysia</u>	<u>Philippines</u>
Public development aid					
Donations	62.42	3.35	8.55	8.10	4.29
Loans	108.14	14.63	0.12	4.14	1.95
Other capital from the public sector	2.99	- 0.07	- 3.65	0.14	23.44
Capital from the private sector	115.38	9.40	88.92	- 9.03	- 29.44
EEC Total	288.93	27.31	93.94	3.35	0.24
Total from DAC countries Bilateral ¹	1,112.17	190.83	176.70	152.36	233.46
Multilateral ²	104.02	27.85	34.02	21.63	34.37
Total payments to the country	1,216.19	218.68	210.72	173.99	267.83

¹ DAC = EEC (less Luxembourg), Australia, Austria, Canada, Japan, New Zealand, Norway, Portugal, Sweden, Switzerland, United States

² Multilateral agencies = IBRD, IFC, IDA, IDB, African DB, Asian DB, EDF, EIB, UNDP, UNTA, UNICEF, UNRWA, WFP, UNHCR, other UN agencies

Source : Statistical series B : Geographical distribution of financial resources

1973 Bilateral Payments by EEC in millions \$*

	<u>Indonesia</u>	<u>Singapore</u>	<u>Thailand</u>	<u>Malaysia</u>	<u>Phillipines</u>	<u>Total</u>
<u>Germany</u>						
Gifts	14.37	1.11	4.71	2.30	3.23	25.72
Loans	32.21	-	-4.62	0.09	-1.66	26.02
Other						
Public	0.14	-	-3.33	-	23.50	20.31
Private	<u>-10.10</u>	<u>-0.11</u>	<u>-8.68</u>	<u>0.07</u>	<u>-44.68</u>	<u>-63.50</u>
	50.62	1.00	-11.92	2.46	-19.61	<u>8.55</u>
<u>Italy</u>						
Gifts	0.25	-	0.03	0.01	0.04	0.33
Loans	0.23	-	-	-	-	-0.23
Other						
Public	-0.04	-0.07	0.32	0.14	-0.06	0.32
Private	<u>-0.32</u>	<u>0.50</u>	<u>-5.18</u>	<u>0.33</u>	<u>2.48</u>	<u>-2.19</u>
	-0.34	0.43	-4.83	0.49	2.46	<u>-1.77</u>
<u>France</u>						
Gifts	-	-	-	-	-	-
Loans	24.50	-	3.00	-	-	27.50
Other						
Public	-	-	-	-	-	-
Private	<u>111.40</u>	<u>2.19</u>	<u>73.69</u>	<u>2.96</u>	<u>11.27</u>	<u>201.51</u>
	135.90	2.19	76.69	2.96	11.27	<u>229.01</u>
<u>Denmark</u>						
Gifts	0.06	0.02	0.63	0.01	0.07	0.85
Loans	0.23	-	0.45	0.18	1.69	2.55
Other						
Public	-	-	-	-	-	-
Private	<u>-</u>	<u>-</u>	<u>20.52</u>	<u>-</u>	<u>-</u>	<u>20.52</u>
	0.29	0.02	21.60	0.25	1.76	<u>23.92</u>
<u>Belgium</u>						
Gifts	4.43	-	0.11	0.69	0.11	5.34
Loans	7.65	-	-	-	1.92	9.57
Other						
Public	-	-	-	-	-	-
Private	<u>6.40</u>	<u>-0.38</u>	<u>2.64</u>	<u>3.12</u>	<u>0.56</u>	<u>18.34</u>
	18.48	-0.38	2.75	3.81	2.59	<u>33.25</u>

* Excludes Luxembourg and Eire

	<u>Indonesia</u>	<u>Singapore</u>	<u>Thailand</u>	<u>Malaysia</u>	<u>Philippines</u>	<u>Total</u>
<u>Netherlands</u>						
Gifts	41.75	0.12	1.57	0.18	0.51	44.13
Loans	25.82	-	0.05	-	-	25.87
Other						
Public	-	-	-	-	-	-
Private	<u>6.50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6.50</u>
	74.07	0.12	1.62	0.18	0.51	<u>76.50</u>
<u>United Kingdom</u>						
Gifts	1.56	2.10	1.50	4.85	0.33	10.34
Loans	17.96	14.63	1.34	3.87	-	37.80
Other						
Public	-	-	-	-	-	-
Private	<u>1.50</u>	<u>6.89</u>	<u>5.93</u>	<u>1.20</u>	<u>0.59</u>	<u>16.11</u>
	21.02	23.62	8.77	9.92	0.92	<u>64.25</u>

N.B. This statistical table has been prepared by the Statistical Office of the European Communities at the request of the rapporteur.

ANALYSIS OF THE ECONOMIC SITUATION OF THE FIVE MEMBER COUNTRIES OF ASEAN

'Le Monde'

Records and documents, January 1976 'The Economic and Social Year, 1975: The crisis', p. 83.

INDONESIA: a bleak situation

This year will have been the worst in Indonesia's history since 1967, when the direction of the economy was again taken over by US-trained technocrats following the years of dirigisme and nationalism under the Sukarno regime. The international economic situation is largely responsible for this, as it is for the difficulties faced by the other countries in the region. The crisis which shook Pertamina, the national oil company, has also been a contributory factor.

As the largest oil producer in the region, deriving most of its income from oil (approximately 60 % of budgetary revenue and 71 % of exports), Indonesia was bound to suffer from the crisis that broke out at the beginning of 1975, when Pertamina could not meet its liabilities and it became known that the company's debts amounted to more than 3,000 million dollars, a third of which had been contracted on a short-term basis. The maladministration of Pertamina under General Ibnu Sutowo was well-known, but it needed a crisis to induce the Government to intervene to re-establish order and restore shaken confidence. The difficulties facing the country's largest national undertaking have resulted in the bankruptcy of several sub-contractors, a run-down of the economy and a reduction in exchange reserves (500 million dollars in September 1975, as against 2,000 millions in October 1974).

At the same time, oil revenue was less than forecast owing to the drop in sales. Exports in the first half of 1975 are said to be 15 % down on those recorded for the same period in 1974, in which year production had reached 66 million tonnes.

Exports of other products, e.g. timber, oil, tin, coffee and tobacco, which had risen dramatically by 32 % from 1973 to 1974, are said to have dropped by the same percentage during the first half of 1975; only sales of palm oil and tea have maintained an upward trend. Export earnings, which in 1974 were between 7,000 and 7,400 million dollars, will therefore decrease, as will the trade balance surplus, which stood at about 3,000 million dollars in 1974. The balance of payments deficit for the 1975/76 financial year (1 April to 31 March) is likely to exceed 1,000 million dollars, i.e. four times the amount recorded for the previous year.

Although foreign investment was high up to 1974 (about 4,000 million dollars since 1967), it dropped very appreciably at the beginning of 1975: during the first six months, it amounted to 64 million dollars, as against 666 million dollars for the same period in 1974.

In the agricultural sector, rice production continues to increase (15.6 million tonnes forecast for 1975). Despite this, the living conditions of the farming population have hardly changed.

PHILIPPINES: approaching self-sufficiency in food

Harvests in the Philippines in 1975 were good and total agricultural production increased by 3.6 %, despite a 12 % drop in forestry production, 80 % of which was earmarked for export to Japan. This was more than compensated for, however, by a 5.4 % increase in the various crop harvests: although rice production increased by only 3.5 %, the maize crop (+ 12 %) and, above all, the banana crop (+ 33 %) were excellent. Self-sufficiency in food has practically been achieved.

In addition to these achievements in agriculture, there has been intensive (if rather parasitical) activity in another sector: the building of hotels and luxury homes. Nevertheless, progress has also been made in the public works sector (roads, water supplies, etc.). Economic growth will probably have exceeded 5.5 % in volume in 1975 (according to the Far Eastern Economic Review).

The Philippines continue, however, to be faced by serious problems:

The rise in prices: 40 % in 1974, but only 20 % in 1975 (thanks, we might say, to the recession). Incomes are rising at a slower rate than prices and the competitiveness of Philippine products on foreign markets can be safeguarded.

The almost traditional balance of trade deficit which, taking one year with another, was more or less offset by the transfers made by Filipinos resident abroad, by the money injected into the economy by the Americans living on military bases in the Philippines and by tourism, will not have been wiped out in 1975. The current payments deficit will have reached approximately 400 million dollars (against net currency reserves not exceeding 650 millions). The foreign debt is said to amount at present to 3,900 million dollars.

The Filipinos have begun to ask for increased aid from international organizations. It is thought by the public authorities that only loans at very low interest rates will enable them to get through these difficult years.

MALAYSIA: setback to oil production

1975 was the last year of the second five-year plan. In view of the uncertainty of the political and economic situation during that year, it cannot as yet be said whether the objectives will be achieved. This uncertainty also held up publication of the objectives of the third plan (1975-1980). The ultimate aim of both plans is that by 1990 30 % of the economy should be transferred to Malaysian control and the proportion of foreign capital in the private sector reduced from 70 % to 30 %.

The weakness of the international economy, the psychological effect of the revolutionary victories in Indo-China and the presence of Communist guerilla forces in the country are the main causes of the prevailing state of uncertainty. Kuala Lumpur is hoping, however, that the situation will improve in 1976.

While the cost of imports has continued to rise, there has been a drop in the value of the numerous raw materials (rubber, wood, tin, etc.), which account for 70 % of Malaysian exports. The gross national product has increased by only 24 %, while statistics show that unemployment has reached 4 %. On the other hand, prices should rise by only about 5% as against 17.4 % in 1974.

1975 was marked by two important politico-economic events:

Firstly, the affair of the national oil company, Petronas. The opposition of the international oil companies to the amendment of the Petroleum Development Act, which empowered public authorities to appoint the directors of the subsidiaries of oil companies operating in Malaysia, held up oil exploration for months. When Petronas eventually took a more conciliatory approach, it was possible to re-open negotiations with Exxon (Esso) and Shell. But the production of hydrocarbons continues to be low: less than 5 million tonnes per year.

On the other hand, on the initiative of Mr Musa Hitam, the Minister responsible for primary sector industries, Malaysia adopted a programme for the rationalization of rubber production, in order to put a stop to excessive price fluctuations. It has also issued the draft of an international agreement between producer and consumer countries which, being similar to the tin agreement, would guarantee price levels and create buffer stocks.

Socially, the country has remained calm, despite the farmers' demonstrations of December 1974, the first of their kind to occur in Malaysia. The forces of law and order are taking care to maintain the peaceful conditions which are essential for attracting foreign investment. However, potential investors are more deterred by the expansion of the public sector and by the interventionist policies of a State which is anxious to manipulate the economy in such a way that the Malaysians will benefit more from growth than the Chinese, whose resourcefulness is causing alarm.

SINGAPORE: limited damage

As a country which is mainly dependent for its livelihood on trade, exports of manufactured and processed products, warehousing of goods and financial transactions, Singapore was bound to be affected by the world recession and by the difficulties facing its neighbours (Indonesia and Malaysia). Nevertheless, the economy of the island State has withstood the crisis better than could have been expected.

The economic and financial boom of the past few years had made it possible to build up reserves which have proved extremely valuable. The draconian labour laws have led to a certain amount of redundancy, mainly among the female workers. The industries most severely affected are oil (a substantial part of the oil consumed in South East Asia and by Japan is refined by Singapore), electrical products, textiles, timber, shipbuilding and oil prospecting equipment. (Orders for oil rigs, the construction of which has become a specialist industry in Singapore, have dropped sharply). The financial and banking sectors are not faring too badly, and tourism is flourishing. Although the balance of current payments will have been in deficit in 1975, Singapore hopes that the economic improvement in the United States will have positive effects on its own economy.

THAILAND: severely affected

Psychologically, Thailand has been more seriously affected than any other South-East Asian country by the collapse of the pro-Western regimes in Indo-China. Besides the loss of markets, this collapse has created a climate of anxiety, aggravated by the instability of the local political situation and the fear of a rapid renewal of activity by the Thai Communist Party guerilla forces.

A peasant's yearly income is said to be about 1,300 bahts¹ as compared with an average national income of 6,350 bahts in 1974. The new agrarian reform has not yet begun to be applied. At all events, it could not remedy the lack of land ownership, the usury (with interest rates sometimes exceeding 1,000 % per annum) which is turning the vast majority of the peasant population into tenant farmers, the administrative corruption and laxity or the violence (in the province of Chiangmai alone, more than 10 peasant leaders were assassinated in six months). What is more, the available land is becoming insufficient to meet the needs of an expanding population, particularly since agricultural productivity remains among the lowest in Asia.

Rice production in the 1975 calendar year will probably exceed 1974 production (14.8 million tonnes); the maize harvest was exceptional and could reach 3 million tonnes; sugar production for the 1974/75 financial year (1 October to 30 September) exceeded 1 million tonnes, representing an increase of 10 %. In addition, tapioca production increased by 10 %. Against this, there was a substantial drop in timber and cattle production.

As regards the industrial and mining sectors, exports of tin have dropped by 21 % and exports of textiles by 10 %. Although official figures record a 2.2 % increase in investments, foreign investment fell by 89 % during the first six months of 1975. The forecast 5.5 % growth in national income seems to be extremely optimistic. Unemployment continues to be a major problem.

1

One American dollar = 20 bahts

The balance of trade deficit has increased: 12,000 million bahts for January - June 1975 (value of exports = 27,700 million bahts), as against 5,300 millions in 1974. Transfers (American bases, tourism), which at present represent a substantial sum, should fall off in 1976, thereby increasing still further the balance of payments deficit.

PATRICE DE BEER

THE ASEAN DECLARATION (Kuala Lumpur 1967)

The Presidium Minister for Political Affairs/Minister for Foreign Affairs of Indonesia, the Deputy Prime Minister of Malaysia, the Secretary for Foreign Affairs of the Philippines, the Minister for Foreign Affairs of Singapore and the Minister of Foreign Affairs of Thailand:

WITNESSED the existence of mutual interests and common problems among the countries of South-East Asia and convinced of the need to strengthen further the existing bonds of regional solidarity and co-operation;

DESIRING to establish a firm foundation for common action to promote regional co-operation in South-East Asia in the spirit of equality and partnership and thereby contribute towards peace, progress and prosperity in the region;

CONSCIOUS that in an increasingly interdependent world, the cherished ideals of peace, freedom, social justice and economic well-being are best attained by fostering good understanding, good neighbourliness and meaningful co-operation among the countries of the region already bound together by ties of history and culture;

CONSIDERING that the countries of South-East Asia share a primary responsibility for strengthening the economic and social stability of the region and ensuring their peaceful and progressive national development, and that they are determined to ensure their stability and security from external interference in any form or manifestation in order to preserve their national identities in accordance with the ideals and aspirations of their peoples;

AFFIRMING that all foreign bases are temporary and remain only with the expressed concurrence of the countries concerned and are not intended to be used directly or indirectly to subvert the national independence and freedom of States in the area or prejudice the orderly processes of their national development;

DO HEREBY DECLARE :

FIRST, the establishment of an Association for Regional Co-operation among the countries of South-East Asia to be known as the Association of South-East Asian Nations (ASEAN);

.../..

SECOND, that the aims and purposes of the Association shall be :

1. to accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South-East Asian nations;
2. to promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charters;
3. to promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;
4. to provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres;
5. to collaborate more effectively for the greater utilization of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communication facilities and the raising of the living standards of their peoples;
6. to promote South-East Asian studies;
7. to maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves.

THIRD, that, to carry out these aims and purposes, the following machinery shall be established:

- (a) Annual Meeting of Foreign Ministers, which shall be by rotation and referred to as ASEAN Ministerial Meeting. Special Meetings of Foreign Ministers may be convened as required.
- (b) A standing Committee, under the chairmanship of the Foreign Minister of the Host country or his representative and having as its members the accredited Ambassadors of the other member countries to carry on the work of the Association in between Meetings of Foreign Ministers.

.../..

- (c) Ad Hoc Committees and Permanent Committees of specialists and officials on specific subjects.
- (d) A National Secretariat in each member country to carry out the work of the Association on behalf of that country and to service the Annual or Special Meetings of Foreign Ministers, the Standing Committee and such other committees as may hereafter be established.

FOURTH, that the Association is open for participation to all States in the South-East Asian Region subscribing to the aforementioned aims, principles and purposes.

FIFTH, that the Association represents collective will of the nations of South-East Asia to bind themselves together in friendship and co-operation and, through joint efforts and sacrifices, secure for their people and for posterity the blessings of peace, freedom and prosperity.

DONE in Bangkok on the Eighth Day of August in the Year One Thousand Nine Hundred and Sixty-Seven.

COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

COMMITTEE ON DEVELOPMENT AND COOPERATION

Notice to Members

Please find enclosed the following documents:

Copies of an exchange of letters concluding, under Article 229 of the EEC Treaty, an agreement with the Association of South East Asian Nations (ASEAN) establishing institutionalised links between the Communities and ASEAN by setting up of a Joint Study Group.

Directorate-General for Committees
and Interparliamentary Delegations

Luxembourg, 3 June 1975

COMMISSION
OF THE
EUROPEAN COMMUNITIES

Brussels, 7 May 1975

His Excellency
Mr Carlos A Faustino
Chairman
ASEAN Brussels Committee
BRUSSELS

Your Excellency

With reference to the Joint Statement issued in Jakarta on the 25th of September 1974 by the ASEAN Ministers and a delegation from the Commission of the European Communities led by Vice-President Sir Christopher Soames, I have the honour to confirm that the Commission has agreed to the establishment of institutionalised links between the Association of South East Asian Nations and itself by setting up a Joint Study Group in order to:

- a. further the development and intensification of the continuing dialogue between ASEAN and the Commission of the European Communities; and
- b. serve as the mechanism through which to explore together all possible areas where their cooperation could be broadened, intensified and diversified, giving equal consideration to the development needs of the ASEAN countries and taking into consideration the situation in the European Community and its development.

As agreed between the ASEAN Ministers and Sir Christopher Soames discussions have taken place between representatives of the Commission and the ASEAN Brussels Committee about the modalities for the operation of the Joint Study Group. These have led to the following conclusions:

1. Membership will consist of representatives of ASEAN on the one side and representatives of the Communities on the other side.
2. The level of representation from the two sides will be as high as appropriate depending upon the importance of the agenda. For each particular meeting each side will inform the other side in advance of the composition of its delegation.
3. The Study Group will normally meet twice a year; additional meetings may be convened at the request of either party.
4. The Chairmanship at meetings of the Joint Study Group will alternate between the two sides.
5. The provisional agenda for each meeting will be discussed jointly between the two sides before each meeting and approved at the beginning of the meetings.
6. Should the necessity arise the Study Group may ask experts from either side to carry out specialised examinations for it.

7. A record will be established of each meeting of the Joint Study Group; each side will transmit a copy of this record to its respective authorities.
8. The Joint Study Group will review annually the action which could be taken in an appropriate framework on the basis of the studies it has put on record.

It is hoped that preparation for the first meeting of the Joint Study Group can be completed at an early date in order to enable this meeting to take place without undue delay. At this first meeting an outline programme of work should be drawn up. The other items of the agenda as well as the date and venue will be decided through diplomatic channels.

I should be grateful if you and your colleagues of the ASEAN Brussels Committee would kindly confirm on behalf of ASEAN your agreement to the contents of this letter.

Please accept, Your Excellency, the assurance of my highest consideration.

For the Commission of the
European Communities

Director General
for External Relations.

ASEAN BRUSSELS COMMITTEE SECRETARIAT

c/o Mission of the Philippines
to the European Communities
200 Franklin Roosevelt Avenue
1050 BRUSSELS

7 May 1975

The Director General
for External Relations
Commission of the European Communities
BRUSSELS

Sir,

I have the honour to acknowledge receipt of your letter of the 7th of May which reads as follows:

"With reference to the Joint Statement issued in Jakarta on the 25th of September 1974 by the ASEAN Ministers and a delegation from the Commission of the European Communities led by Vice-President Sir Christopher Soames, I have the honour to confirm that the Commission has agreed to the establishment of institutionalised links between the Association of South East Asian Nations and itself by setting up a Joint Study Group in order to:

- a. further the development and intensification of the continuing dialogue between ASEAN and the Commission of the European Communities; and
- b. serve as the mechanism through which to explore together all possible areas where their cooperation could be broadened, intensified and diversified, giving equal consideration to the development needs of the ASEAN countries and taking into consideration the situation in the European Community and its development.

As agreed between the ASEAN Ministers and Sir Christopher Soames discussions have taken place between representatives of the Commission and the ASEAN Brussels Committee about the modalities for the operation of the Joint Study Group. These have led to the following conclusions:

1. Membership will consist of the representatives of ASEAN on the one side and representatives of the Commission of the European Communities on the other side.
2. The level of representation from the two sides will be as high as appropriate depending upon the importance of the agenda. For each particular meeting each side will inform the other side in advance of the composition of its delegation.
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It is hoped that preparation for the first meeting of the Joint Study Group can be completed at an early date in order to enable this meeting to take place without undue delay. At this first meeting an outline programme of work should be drawn up. The other items of the agenda as well as the date and venue will be decided through diplomatic channels.

I should be grateful if you and your colleagues of the ASEAN Brussels Committee would kindly confirm on behalf of ASEAN your agreement to the contents of this letter."

I have the honour to confirm in the name of ASEAN my agreement to what has preceded.

Please accept, Sir, the assurance of my highest consideration.

For the Government of the Republic of Indonesia
For the Government of the Federation of Malaysia
For the Government of the Republic of the Philippines
For the Government of the Republic of Singapore
For the Government of the Kingdom of Thailand

Luxembourg
P.O.B. 1601