

Europe is challenged to expand ties with Southeast Asian nations group

by Mary M. Burdman

The spectacular beauty of the setting in the village of Alpbach in the Austrian Alps did not prevent political fireworks going off at the Austrian College "Dialogue Congress of Europe and the Association of Southeast Asian Nations (Asean)" Aug. 29-31. The member states of Asean are Indonesia, Malaysia, the Philippines, Singapore, and Thailand, and the Sultanates of Brunei and Borneo.

The nations of Europe were called on to take up their responsibility to the developing sector by leading representatives of such Asean nations as Malaysia and Indonesia. Asean influentials challenged the nations of Europe to take leadership in promoting the interests of developing nations, and especially to provide an alternative to the United States and Japan.

But, as yet, Europe has been found lacking.

Most outspoken was Dató R. V. Navaratnam of Malaysia, the executive director of Bank Buruh Berhad of Kuala Lumpur, and formerly deputy secretary general of the Ministry of Finance and secretary general of the Ministry of Transport. Navaratnam addressed the Economic Plenary of the conference, in a speech on "Industrial and Technical Cooperation Between Asean and Europe—The Alternative to Japan and the U.S.A.?" which was delivered with much irony and humor, and unsettled the business-as-usual mood that some might have preferred. It was a call to the leaders of the European Community (EC) and European Free Trade Association (Austria, Switzerland, Sweden, Finland, Norway, and Iceland) to stop raising the "bogey of Asean" and to act as compassionate adults in relation to growing children, to act as the powerful, highly industrialized nations they are, to develop, rather than hinder, the nations of the South.

The real question is, he said during discussion, "If Europe is really interested in Asia. . . . All we ask is *not* to be prevented, stymied, or hijacked in our development."

His blunt words made many of the Europeans in attendance, including senior officials from the European Community, quite uncomfortable and even indignant; but he provided a necessary and useful dose of reality.

The conference was actually a three-way dialogue, for there were a number of high-level representatives of the newly independent nations of Czechoslovakia, Hungary, and Po-

land in attendance. Discussion of whether the EC could or should build a "bridge" between Asean and eastern Europe set off sparks, as some leaders of European economic institutions insisted that the issue was "Asean's problem." Considering the omissions in western Europe's policy towards eastern Europe so far—the failure to challenge the radical free-market maniacs of the collapsing Anglo-American empire and build, in a crash program, the high-technology infrastructure eastern Europe and the former Soviet Union desperately need—that response is not surprising.

But certain of the representatives from the former communist nations provided intriguing alternative views, which, again, challenged the participants to think in a different way. For example, Dr. Stanislav Slavicky, of the Department of Foreign Politics of the Office of the President of Czechoslovakia in Prague, noted that not only did Czechoslovakia have "lively and significant" ties with Southeast Asia, but also, ironically, its former intense relations with China and the nations of Indochina under the communist regime, means that eastern Europe is well prepared for expanding relations with the nations of Asia. He also pointed out that Premier Marian Calfa was planning to visit Malaysia, Indonesia, Thailand, and Brunei in May; in his capacity as head of a government and trade and industry delegation.

Is Europe interested in Asia?

Navaratnam began his provocative speech by emphasizing, as other Asean leaders did, the importance of EC-Asean cooperation. "Greater cooperation between Asean and the EC is imperative, because they are both large international economic groupings which need each other," he said. The size of the Asean market, with a population of 315 million, is close to that of the combined 12 member states of the EC. "Asean countries themselves need the EC, as Asean should not have to concentrate its trade, industrial relations, and technical cooperation on the U.S. and Japan, or indeed the Pacific Basin alone," he said.

In Europe's overall interest, if it is not to become "Fortress Europe," it must "look outward from its very inception in 1993. The EC's logical strategy therefore would be to strengthen its ties with Asean." Unless the EC does so, it

could “inadvertently become insular, isolated and a fortress,” he said. “The EC will then be creating a sphere of influence for Japan and the U.S. in the East Asian region. Is this what Europe wants?” To take its proper leadership role in international trade, industrial development and technology transfer, the EC must take steps now to increase cooperation with other economic groups, especially Asean.

What is disturbing, he said, is the European attitude, “Watch out for Asean.” This is like David and Goliath. “Why is the adult afraid of the child?” Navaratnam asked. It is Europe which has created the “Asean bogey.” Also, unfortunately, there appears to be little interest in anything but talk—as in the General Agreement on Tariffs and Trade (GATT) negotiations, which Navaratnam called the “General Agreement to Talk and Talk.” It is a mistake for the nations of the North to talk of reciprocity, he said. It is like an adult demanding that a child fight him, on the adult’s terms.

Asean’s share of EC total imports is only 3%, Navaratnam said, with most Asean exports commodities and labor-intensive manufactures. Both the volume and value of trade must be stepped up, he said, by reducing tariff and non-tariff barriers, increasing technology transfer to Asean, and encouraging EC investments into Asean.

EC investment into Asean in 1989 totaled about \$2.7 billion, compared to \$6 billion by Japan and \$1.3 billion by the United States. The EC investment came mainly from the United Kingdom, France, and the Netherlands—the former colonial powers in the region—and some from Germany. This pattern, Navaratnam said, “reflects the historical colonial relationships with most of the Asean countries,” which the new EC must take steps to change. “The EC would need to harness the capital and technological resources of the EC as a whole, to invest in Asean countries,” rather than allowing the three former colonial nations to dominate the situation.

“Cooperation between Asean and the EC is not between equally strong economic partners,” Navaratnam said. The EC must take the initiative in technology transfer and aid, because at this time there is not much that Asean nations can do, except provide opportunities. “In fact, if the EC does not take advantage of these Asean opportunities, then Japan and the U.S. will. The Japanese are already in the forefront, but Asean can afford and would welcome, more major front-runners like the EC.” Europe must prepare for external as well as internal developments in 1993. Malaysia is already preparing for the next 30 years.

The upcoming Asean summit

Asean will have its fourth summit in Singapore in January 1992, which will discuss greater economic cooperation among Asean members, which at this time is low. There is now a strong move on, Navaratnam said, to establish an Asean Free Trade Area and to gradually reduce preferential effective tariffs to zero on selected products. The summit could also lend stronger support to the proposed East Asian

Economic Grouping proposed by Malaysian Prime Minister Mahathir Mohammed. “The EAEG,” he said, “would be a consultative forum, to enable cooperation and consultation among like-minded countries, especially among Third World nations.” The EAEG, which has aroused great controversy, has a precedent and parallel in Europe, Navaratnam pointed out. This is the Pentagone, founded in 1989 by the heads of government of Austria, Italy, Hungary, Yugoslavia, and Czechoslovakia (Poland has since joined). “This forum [like the proposed EAEG] discusses issues of common interest before meeting with the Big Brothers of Europe!” It would, indeed, be a great idea to continue this tradition of the Pentagone even in the Single European Market after 1993, to protect the interests of the smaller nations of Europe.

At this, high-level EC and other officials were overheard in the hallways sputtering about Navaratnam’s speech, calling it unfair and defending the EC’s insistence on internal Asean nations’ transformations in the areas of human rights, trade liberalization, etc.

Other European representatives pointed more soberly to some of the obstacles to moving in the direction Navaratnam was espousing.

Dr. Ulrich Cartellieri, a member of the board of Deutsche Bank, pointed out some important problems for EC investment into Asean. Although the EC has a “greater potential than the U.S. or Japan,” its production is focused on the “highly saturated” and highly specialized European market, where Germany does 70% of its trade. Europe is a poor third in investment in Asean, he said, and most European investment is actually capitalization of European banks in Asia, while Japan focuses on productive and industrial investment. Europe is “keenly interested” in reducing Asean’s overwhelming dependence on Japan, but wants to wait for the Asean integrated market.

One main difference between Europe and Japan, he said, is that 99.8% of German companies are small, family-owned entrepreneurs, the *Mittelstand*, meaning that the resources of the individual industries are very limited for any big leap such as investment in Asia, in contrast to the massive Japanese state-backed conglomerates.

Longstanding ties

It is noteworthy that the EC has had longer-standing ties with Asean than with any other regional economic grouping in the world. Dialogue began in 1972, five years after Asean was established in 1967 and raised to ministerial level meetings in 1977, which have continued ever since. Until World War II, European-Southeast Asian ties were much closer than they currently are. After World War II, the Southeast Asian nations sought the protection of the U.S. nuclear umbrella. But at the end of the Vietnam war, the “U.S. left Southeast Asia to fend for itself politically and economically,” as one Asean official pointedly said. The fall of Saigon prompted far closer political cooperation among the Asean

nations, and Japan came to play a far more important role. It is notable, however, that several Asean speakers tended to lump the U.S. and Japan together, with one official privately expressing the concern that Japan's actions could often be interpreted as those of a stalking horse for the U.S. in the region.

The big areas of contention between Europe and Asean are "human rights" and environmentalism. The human rights issue being used to pressure the Asean nations is that derived from Thomas Hobbes's "social contract," and the Enlightenment: isolated issues being used now as economic conditionalities. One high-level Asean nation official noted that the May dialogue meeting between EC and Asean ministers was very tense, where the issue of human rights was made an immediate point of discussion, in an "almost emotional way." Asean ministers proposed several points for the new Cooperation Agreement to be signed between the EC and Asean, including a trade forum and moves towards industrial cooperation, which were all rejected by the EC. Many Asean officials, he said, were concerned that EC-Asean relations were coming to a dead end.

The reason for their concern was shown by Juan Prat, director general of the North-South EC Commission. In his speech at Alpbach, he departed from his prepared text to state: "I cannot believe we can talk about sustainable development without also talking about basic human rights. Without basic respect for the environment, we cannot achieve what we want to achieve in economic terms."

Ahmad Kamil Jaafar, secretary general of the Ministry of Foreign Affairs in Malaysia, adequately answered Prat: "Developing countries fear that the creation of regional economic blocs among developed countries will be at their cost and will deny them market access for their products. Traditional economic ties between developing countries and developed countries will shrivel up as economic blocs turn their priorities elsewhere," he said. "The evolution of Europe into a single political entity with its increasing tendency to champion 'burning issues of the day,' purely from a Western perspective, has presented specific problems to Asean. . . . The EC has raised the issue of human rights and environmental protection in the context of developmental cooperation, thereby linking these two issues to the offer of assistance by the EC.

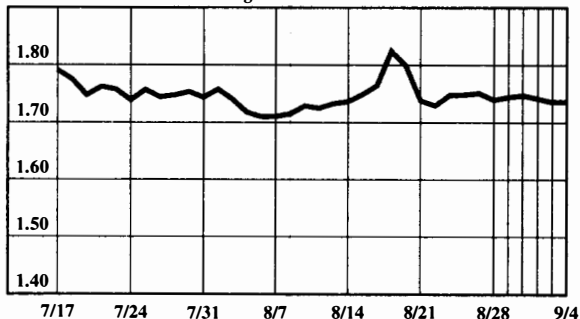
"Asean regards the EC's treatment of the human rights and environment issues as a 'tendentious application' of Western norms and values in inter-state relations and has categorically rejected such linkages to development assistance. Asean therefore welcomes the EC's assurances in the last Dialogue session [in Kuala Lumpur] that the EC will not attempt to make these linkages in the future.

"In the future when Europe has evolved into one of the major global centers of power with a major role to play in the shaping of international affairs, it will be Asean's hope that Europe will judiciously apply its influence to protect and promote the interests of developing countries."

Currency Rates

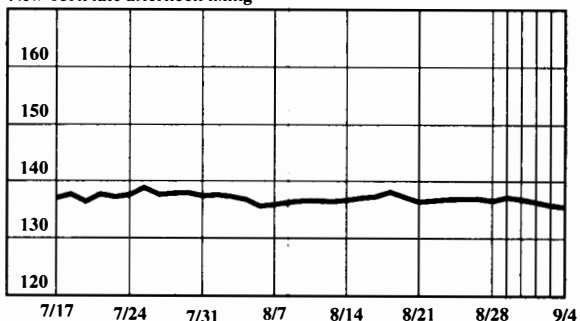
The dollar in deutschemarks

New York late afternoon fixing



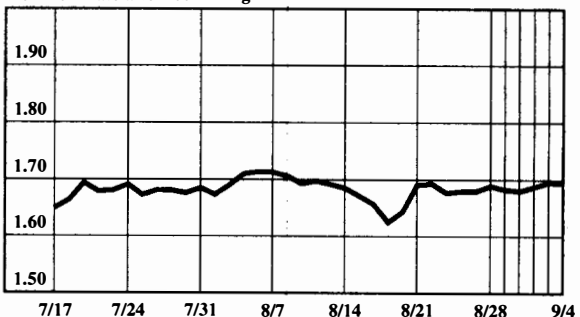
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

