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ASEAN AND THE EC

Trade in Tropical Agricultural Products

Edited by

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**ASEAN Economic Research Unit
Institute of Southeast Asian Studies**

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PREFACE

Of ten people living and working in the ASEAN countries, six are engaged in the agricultural sector. A substantial proportion of what they produce is exported to the countries of the European Community (EC).

For the EC, on the other hand, ASEAN imports are hardly significant, and where they become so, as in the case of Thai tapioca exports, it is usually as a by-product of the highly interventionist Common Agricultural Policy (CAP) and as an irritant leading to the introduction of protective measures, such as the so-called voluntary export restraints (VERs).

The CAP of the EC is a classic case of a sectoral subsidization of income leading into an impasse, from which it is difficult to return because of strong vested interests. The fact that European consumers have to pay ever increasing amounts for the production, accumulation, storage, and eventual dissipation of agricultural products, might be tolerated as an idiosyncrasy to be borne by them alone. But the existence of the CAP has large adverse effects on third countries, and thus on the producers and consumers in the ASEAN countries too.

It is this relationship that is addressed in the current volume. The intention is to provide background material for further studies and discussion of specific issues in the trade of tropical agricultural products, particularly within the framework of closer co-operation between ASEAN and the EC.

Five contributions have been included. First, Chaiwat Konjing, a Thai agricultural economist, presents a comprehensive background picture of the agricultural sector in the ASEAN countries, particularly highlighting the diversification of production and export markets that has taken place in the last decade. Then Ingeborg Menzler-Hokkanen, an economist now working at the University of Helsinki,

presents the CAP of the EC and focuses on EC trade policies in tropical agricultural products. The importance of the two Lomé Conventions with the countries of Subsaharan Africa, the Caribbean and the Pacific (ACP countries) is highlighted. By providing preferences to them, ASEAN countries are, by definition, discriminated against.

Claro Nieva and Gerardo Faigal of the Center for Research and Communication, Manila, Philippines, examine ASEAN's exports of processed agricultural products to the EC from the perspective of improving access to European markets. They argue for a pragmatic policy of mutual co-operation within the terms of the existing co-operation agreement between the two blocs.

In the contribution by Jean-Marc Burniaux and Jean Waelbroeck, both at the Free University of Brussels, Belgium, a simulation model of rural-urban and North-South effects of EC protectionism in the CAP is presented. The model RUNS clearly shows that the Community's agricultural policy affects not only Europeans themselves but also other countries, especially those producing tropical agricultural products.

Rolf J. Langhammer, a senior economist at the Kiel Institute of World Economics, then analyses the export pattern and performance of ASEAN and the ACP countries in the EC market. This is done in order to assess the impact of ACP preferences on ASEAN agricultural exports in competing items. He comes to the conclusion that, up to now, the ACP preferences have failed to give the ACP countries a distinct competitive edge over ASEAN. In fact, ASEAN countries have generally done comparatively well on the EC market because their general economic policy framework is much more outward-oriented than that of the ACP countries.

ASEAN-EC trade relations in tropical agricultural products need to be improved. If further co-operation succeeds in bringing this about, ASEAN-EC trade relations could well become an example of non-preferential trade relations between developed and developing countries in a system of uniform rules of non-discrimination and equal treatment.

19 July 1987

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