

DOCUMENTATION

The Challenge of Economic Development

Following is the economic portion of Secretary of State Shultz's address to the ASEAN ministers in Jakarta, July 13, 1984.

We face a third great challenge in concert with all members of the international community — economic development. All the leaders of ASEAN have made economic development a major goal, and it has become a central part of the U.S.-ASEAN relationship. But we are all part of a world economy so our efforts must extend beyond the confines of the U.S.-ASEAN relationship.

Prior to the recent London Economic Summit, Foreign Minister Mochtar wrote me and others in his capacity as chairman of the ASEAN standing committee, asking me to bear in mind the concerns of the ASEAN countries as the summit leaders addressed global economic issues. It should be clear from the outcome of that summit that ASEAN'S concerns were very much on our minds.

The first topic Foreign Minister Mochtar addressed was trade. We share the view that trade is a major engine of the development process. Trade liberalization is an indispensable element in insuring that the global recovery will endure and spread. We worked hard to see that the summit declaration urged formal movement on a new GATT trade round. In our judgment a new round will stimulate confidence in the recovery and can offer the prospect of significant benefits to the developing world.

A key objective of a new trade round will be to confront the protectionist pressures that afflict all of us, developed and developing countries alike. On this point, I am sure we are in full agreement. We may disagree, however, on the extent of protectionism now being provided our respective industries.

The United States is frequently accused of bowing to protectionist pressures to the detriment of the developing world. Examples often cited are textiles, shoes, and steel. We do face protectionist pressure and occasionally we are forced to limit the growth of imports of some products. I note with pride, however, that the United States economy is a genuinely open one and that this openness is of great benefit to developing countries. The United States is the world's biggest market for the manufactured exports of developing countries, taking over 50 percent of such exports to all industrial countries. Even in sensitive industries where protectionist pressure is high, imports have continued to grow, often exceeding the growth in total output in that industry.

The complaint heard most concerns textiles. But during the first four months of 1984, textile imports to the United States are 50 percent above the same period in 1983; in the case of the ASEAN countries, the figure is 107 percent. A rate of increase like that in a sensitive American industry causes us real problems and brings an understandable reaction in the United States.

But the increases are there nonetheless. The United States has an open market. Imports are a permanent part of our economic life and we welcome the benefits they bring.

Protectionism is a danger we all must combat. IMF studies have made clear the damage that high levels of protectionism have caused to certain developing countries. I agree with those who have raised objections to proposals in the United States for local content legislation. President Reagan's administration is vigorously opposed to such laws but the principle of realism is required here as well, for this is a practice widespread in the developing as well as developed worlds. Nor can we ignore the reality that the average tariff level in the developing countries is 30 percent compared to 4.7 percent in developed countries.

A trade issue of particular concern to the United States is infringement of intellectual property rights. American businesses lose hundreds of millions of dollars annually due to the counterfeiting and piracy of records, tapes and other intellectual property. But the even bigger losers are those nations who fail to offer protection to intellectual property. America's high technology companies — for example in computers and computer software — are not going to want to invest in countries where their intellectual property can be stolen with impunity. This will result in a loss to those countries of the types of skills needed to develop a modern industrial sector with well-educated, high paid skilled workers. This is an issue that concerns us all and which must be addressed quickly.

Growth in the industrial democracies is crucial to the trade and thus to the economies of the developing world and — I wish to emphasize — vice versa. Real output in non-oil-producing developing countries is expected to rise 3.5 percent this year, compared to 1.6 percent last year. A major part of this recovery is due to the increase in world trade. Achievement of sustained non-inflationary growth in the United States and maintenance of our open markets are of prime importance to the developing world. Conversely, ASEAN's prosperity has created new markets and enhanced investment opportunities for American business.

The strong growth of U.S. import demand has been the major factor in the recovery of world trade, with U.S. imports up 13 percent in 1983 and an estimated 18 percent for 1984. In the case of ASEAN, increased exports to the United States accounted for over 60 percent of ASEAN's total export increase in 1983. These percentages are pretty big in anybody's terms, but in terms of ASEAN's economies they are huge for the American economy is truly enormous.

The second issue mentioned by Foreign Minister Mochtar on behalf of the ASEAN countries was commodities. In practice, commodity agreements often interfere with market forces to the detriment of rational long-term allocation of capital, land, and labor. Similarly, proposals that would set up a "common fund" are economically unwise, and our disagreement with this concept was made clear at the summit. Bearing these differences in mind, however, we may be able to turn to negotiation along avenues that can lead to practical and economically productive areas of agreement.

The International Rubber Agreement is one commodity arrangement that we both are able to support. We anticipate that negotiations to renew this agreement will proceed in a good faith manner. Another example is the U.S.-ASEAN memorandum of understanding on tin that we concluded late last year, directly as a result of the ASEAN dialogue meeting. We intend to follow the same precepts of realism and diplomacy in examining other commodity issues, including the common fund, which was discussed at London. As you know, to date there has not evolved a sufficient number of suitably-structured international commodity agreements which are prepared to associate with a common fund. The third and fourth topics in Foreign Minister Mochtar's letter were debt and finance. Here the London summit participants agreed that their strategy for dealing with the international debt crisis is working as intended. One of the lessons we have learned in recent years is that over-reliance

on foreign borrowing to finance development can lead to successively complex problems, especially during an economic downturn. I want to underscore the Williamsburg and London declarations' recognition of the importance of private capital flows to the developing world. Private equity funds can provide an important complement to domestic savings, while avoiding the pitfalls that come with large amounts of foreign debt. Furthermore, as the London summit recognized, foreign direct investment "carries the advantage of being tied to productive capital formation, as well as forming part of the package that includes the transfer of technology and skills." Countries, just as companies, must pay attention to their debt-to-equity ratio. The ASEAN countries you represent have been wise in pursuing for the most part sensible strategies of foreign borrowing. The United States stands ready to work with you to improve the climate for increased foreign equity flows. For example, we are prepared to enter into discussions about treaties for encouraging and protecting investment.

Another aspect of the financial side of cooperation is development assistance. While it can never match trade or private foreign investment — let alone investment based on domestic savings — in terms of its impact on the recipient country, it can play a crucial catalytic role, particularly for the poorest countries. U.S. assistance to the developing world exceeds that of any OECD country. In fiscal year 1983, the United States provided 249 million dollars in bilateral economic assistance to ASEAN countries. Together with security assistance, our total bilateral aid was 424 million dollars.

When one adds in our share of World Bank and Asian development bank loans to the ASEAN countries, total U.S. assistance in fiscal 1983 exceeded 1,000 million dollars. We are the largest participant in the major international financial institutions. We will maintain these flows to the extent that our budgetary conditions permit and we will continue to support the programs directed toward ASEAN of the IMF, the World Bank, and the Asian Development Bank.

Mr. Mochtar's fifth point addressed the North/South dialogue. We believe in dialogue; that is why we are here. That is why we support substantive work in the GATT, IMF, the World Bank, the Asian Development Bank, the Africa Development Bank, the Inter-American Bank and other similar institutions. The forums for the dialogue exist. The institutions for carrying out programs exist. What we must find are practical solutions, working in those forums where constructive action can be taken.

SOURCE: United States Information Service, Embassy of the United States of America, Singapore.

Statement Issued by the Sixteenth Meeting of the ASEAN Economic Ministers

1. The Sixteenth Meeting of the ASEAN Economic Ministers was held in Jakarta, Indonesia on 7-9 May 1984. The Meeting was formally opened by H.E. Mr. Umar Wirahadikusumah, Vice-President of the Republic of Indonesia and was preceded by a Preparatory Meeting of the ASEAN Senior Economic Officials on 4-5 May 1984.
2. The Meeting was attended by H.E. Pehin Dato Abdul Rahman, Minister of Development of Brunei Darussalam, H.E. Dr. Ali Wardhana, Minister Coordinator for the Economy, Finance, Industry and Development Supervision of Indonesia, H.E. Mr. Rachmat Saleh, Minister of Trade of Indonesia, H.E. Mr. Hartarto, Minister of Industry of Indonesia; H.E. Tengku Ahmad Rithauddeen, Minister of Trade and Industry of Malaysia, H.E. Dato Paul Leong Khee Seong, Minister of Primary Industries of Malaysia; H.E. Mr. Roberto V. Ongpin, Minister of Trade and Industry of the Philippines; H.E. Dr. Vicente B. Valdepenas, Jr., Minister of Economic Planning of the Philippines; H.E. Mr. Edgardo L. Tordesillas, Deputy Minister of Trade and Industry of the Philippines; H.E. Dr. Tony Tan Keng Yam, Minister for Finance and Minister for Trade and Industry of Singapore, and H.E. Mr. Sidek Saniff, Parliamentary Secretary of the Ministry of Trade and Industry of Singapore; H.E. Mr. Sommai Hoontrakool, Minister of Finance of Thailand, H.E. Mr. Phairojana Jayaphorn, Deputy Minister of Commerce of Thailand, H.E. Dr. Chirayu Isarangkul Na Ayuthaya, Deputy Minister of Industry of Thailand, and their respective delegations.
3. H.E. Mr. Chan Kai Yau, the Secretary General of the ASEAN Secretariat, and members of his staff were also present.
4. The Vice-President of the Republic of Indonesia, H.E. Mr. Umar Wirahadikusumah, in his opening address, referred to the Bangkok Declaration as the fundamental basis for the establishment of ASEAN to foster economic, social and cultural development in the respective countries and attain prosperity for the peoples in the ASEAN region. As an association for regional cooperation ASEAN has been able to grow despite difficult political and economic situation and gained international respect and recognition from the developing and developed countries. The Vice-President also stated that the private sector plays an important role in the development of ASEAN economic cooperation.
5. The leaders of delegations were also received by the President of the Republic of Indonesia, H.E. Mr. Soeharto.
6. H.E. Dr. Ali Wardhana, Leader of the Indonesian Delegation and H.E. Tengku Ahmad Rithauddeen, leader of the Malaysian Delegation, were elected Chairman and Vice-Chairman of the Meeting, respectively.

7. The Ministers reviewed the progress made in economic cooperation within the ASEAN region. They noted that the ASEAN Ministerial Understanding on Fisheries Cooperation which was signed at the Fifth Meeting of the ASEAN Ministers on Agriculture and Forestry held in Singapore on 20–22 October 1983, would further enhance the ASEAN cooperation in this field.
8. The Ministers supported Indonesia's offer to host the Headquarters of the International Tropical Timber Organization (ITTO) in Jakarta.
9. Following the signing of the Basic Agreement on ASEAN Industrial Joint Ventures (AIJV) in Jakarta during the Special ASEAN Ministerial Meeting on November 7, 1983, a step to translate the Basic Agreement into a concrete result has been made. The Ministers approved the first list of AIJV products consisting of the following:
- i Constant Velocity Joints (Fixed and Plunging Types) and/or finished, semi-finished parts and sub-assemblies thereof;
 - ii Mechanical and Power Rack and Pinion Steerings including Tierods, Ball Joints and Linkages and/or finished semi-finished parts and sub-assemblies thereof;
 - iii Frit; and
 - iv Motorcycle Electrical Parts (composed of Main Switch Assy, Speedometer Assy, Tachometer Assy, Pilot Lamp Assy, Stop Switch, Head Light Assy, Flasher Relay Assy, Audio Pilot Assy, Fuel Gauge Assy, Ignition Coil Assy, Rectifier, Regulator Assy, Rectifier Assy, Condenser Discharge Ignition Unit, Lever Holder Assy, Switch Handle Assy).
- The Ministers expressed the hope that, with this first list of AIJV products, the ASEAN private sector would be encouraged to establish more industrial joint venture projects among themselves.
10. The Ministers considered and approved the proposed Hepatitis Vaccine B Project by Singapore and initialled the Supplementary Agreement to the Basic Agreement on ASEAN Industrial Projects (BAAIP) — ASEAN Vaccine Project (Singapore).
11. On cooperation in transportation and communication, the Ministers expressed concern over the new US Shipping Act of 1984 which apparently did not meet the assurances given during the Fifth ASEAN — US Dialogue December 1983. The Ministers noted that this Act does not contain provisions that will enable ASEAN Shippers Councils to negotiate with US based conferences on General Rate Increase (GRI), unless the present ASEAN shippers councils conform to its provisions. The Ministers also expressed concern that this Act does not exempt ASEAN Shipping Lines from the "Controlled — Carrier" provisions.
12. With regard to the ASEAN Airlines — Lufthansa issue, the Ministers noted with regret the unilateral fare reduction on the West Germany–Hong Kong sector by Lufthansa/Cathay Pacific that will severely affect ASEAN stopovers. The Meeting expressed hope that the prolonged issue be resolved as soon as possible.
13. In reviewing the progress made in ASEAN trade cooperation, the Ministers noted with

satisfaction that ASEAN member countries have agreed to deepen the margins of preference (MOP) gradually up to a maximum of 50%. In this connection some 3558 items under the PTA have been given deepened MOP effective May 1, 1984.

14. As a step further towards the improvement of trade cooperation within the region, the Ministers noted COTT's decision to consider sectoral approach in determining future exchanges under the PTA. The sectoral exercise will cover canned food, other food products, beverages, and tyres.

15. The Ministers approved the application on 20–25% across-the-board tariff cut on all items with import value beyond US\$ 10 million with provision of new exclusion lists. Recognizing that the exclusion lists are the obstacle to the expansion of intra-ASEAN trade through this scheme, the Ministers directed the Committee on Trade and Tourism (COTT) to exert full efforts in reducing the number of exclusion items.

16. The Ministers also approved the additional trade preferences exchanged bilaterally. The Ministers also noted that the tariff concessions have been granted to 18,431 items.

17. The Ministers reviewed the progress of ASEAN cooperation with its dialogue partners and expressed concern over the continuing trade imbalance and protectionist measures practised by dialogue partners which have impeded ASEAN exports from gaining greater access to their market. The Ministers urged the dialogue partners to display concretely their commitment to the stand-still and roll-back of protectionist measures made on several occasions, including the last Economic Summit at Williamsburg.

18. The Ministers noted with satisfaction that Australia had committed an additional commitment of A\$ 30.36 million for ASEAN projects.

19. The Ministers also noted that Japan had reduced Preferential Tariff Rates for some products and raised the quota ceiling for industrial products by around 50% during fiscal year 1983. The Ministers however expressed hope that further tariff reduction on products of vital interest to ASEAN will soon be made.

20. The Ministers were informed of the Japanese readiness to host the Second ASEAN — Japan Economic Ministers Meeting. The Ministers were of the view that the Economic Ministers of both sides should make full use of this forum to resolve existing economic problems between ASEAN and Japan. In this regard, the Ministers reiterated the importance of thorough preparations at the level of Senior Economic Officials.

21. The Ministers agreed to propose that a meeting of ASEAN and Japanese senior economic officials be held in late August/early September 1984 with the purpose of coming up with a specific agenda for the Ministerial Meeting which could be held in the first half of 1985.

22. With regard to the US-GSP Renewal Bill, the Ministers urged the US Congress to be more forthcoming in their consideration of the Bill.

23. The Ministers expressed grave concern over the possible move to impose higher tariff measures against import of canned tuna by the US.

24. The Ministers noted that the EC is currently formulating a Directive on “Containers of Liquids for Human Consumption.” The Ministers expressed concern that, possible legislative measures arising if this directive is implemented, include a ban on non-refillable containers, the introduction of deposit laws, or the imposition of discriminatory taxation. The Ministers felt that any of these restrictive measures could have a very serious effect on the market for tinsplate within the EC and consequently on the demand for tin. Considering that ASEAN is the world’s biggest supplier of tin, the Ministers expressed concern at the threat to tin consumption posed by the proposed Directive. As such the Ministers urged the EC to refrain from suggesting or taking any measures which may adversely affect tin consumption.

25. The Ministers were concerned over the EC intention to change the classification of “fire-cured tobacco” to “Kentucky fire-cured tobacco”. They also expressed concern over the move to reclassify tapioca products from Thailand. The Ministers further agreed that appropriate action should continue to be pursued in respect of the proposed imposition of consumption tax on vegetable oils by the EC.

26. In reviewing the world economic situation, the Ministers observed that despite the economic recovery in some major industrialized countries the developing countries have not emerged from the prolonged global recession that has severely affected their economic development. The call of the developing countries for urgent measures to redress the commodity issues through the multilateral producer-consumer cooperation has not been satisfactorily responded. In addition the rising interest rates in certain developed countries have continued to aggravate the debt problem of the developing countries. The Ministers agreed that rising interest rates, if unchecked can endanger world economic recovery and retard still further efforts to reactivate the development process of the developing countries. The Ministers felt therefore that the industrialized countries should pursue concerted economic policies which will result, in keeping with the reality of growing economic interdependence among nations, in sustained economic recovery and accrue mutual benefits to both developed and developing countries.

27. The Ministers recommended that each member country should establish an effective data collecting system on important field such as commodities to be made available to other ASEAN member countries through the ASEAN Secretariat. The eventual establishment of a central data system at the ASEAN Secretariat will help provide up-to-date information and analysis on these commodities.

28. The Ministers noted the need for producers to facilitate a pragmatic balance between supply and demand for commodities of interest to ASEAN wherever possible. This approach is important in order to assist producers in obtaining remunerative prices for their commodities, while ensuring adequate supply of such commodities to the consumers.

29. The Ministers noted that a Task Force on Natural Rubber set up by the Malaysian Rubber Research and Development Board had completed its report. The report would be

referred to the relevant Ministers of Natural Rubber producing countries for appropriate actions.

30. The Ministers noted the Malaysian Government's intention to establish a physical market for tin in the form of the Kuala Lumpur Tin Market (KLTM) and a tin future contract to be traded on the Kuala Lumpur Commodities Exchange (KLCE), would promote the more equitable participation of producer in the marketing of their commodities. The Ministers agreed to convey to the relevant Ministers, the Malaysian Government's request that the members of the International Tin Council acknowledge the KLTM as a recognized market in which buffer stock operations can be undertaken by the ITC.

31. The Ministers noted that the efforts of ASEAN tin producing countries to intensify efforts to curb the smuggling of tin had succeeded in reducing the overhanging surplus and had helped to stabilize the international tin market. These antismuggling measures had also contributed to the efficiency of export control and as a result, the rate of depletion of tin stocks had been accelerated to about 2500 tonnes per month, from the previous rate of 1000 tonnes per month prevailing in the fourth quarter of 1983.

32. The Ministers agreed that ASEAN should continue to work for the conclusion of a new International Sugar Agreement and to continue to urge the EC to accede to the ISA.

33. The Ministers noted that the activities at present being undertaken by ASEAN in relation to the ASEAN Preferential Trading Arrangement (PTA) and the work of its various Committees constitute effective implementation of Economic Cooperation Among Developing Countries (ECDC) and Technical Cooperation Among Developing Countries (TCDC), and that ASEAN places focus on ECDC and TCDC in the context of ASEAN's active involvement with the rest of the global community, and in particular with the Group of 77, in the common effort to achieve a New International Economic Order.

34. The Ministers considered the possibility of a new round of multilateral trade negotiations. They agreed that with growing signs of international economic recovery, it would be a good time to implement trade liberalization which was essential to the health of the international economy and to the continued economic dynamism of ASEAN. The Ministers however stressed that any round of trade negotiations should improve access to markets of developed countries. The Ministers also stressed, among other points, that for a new round of trade negotiations to receive wide support, commitments undertaken in the Tokyo round should be implemented, the progress of the present GATT work programme should not be impeded, and the introduction of new or additional protectionist measures should be halted.

35. The Ministers agreed that ASEAN should intensify its joint approach in cooperation with UNIDO, and attached great importance to the convening of the Fourth General Conference of UNIDO to be held in Vienna, August 1984.

36. With regard to the ASEAN Task Force Recommendation on Economic Cooperation, ASEAN Machinery and Funding of ASEAN Projects, the Ministers agreed that:

36.1 ASEAN should closely monitor the economic development of member countries in the

context of sub-regional, regional and global economic developments with the view to identifying areas for cooperation, common strategies and joint approaches, and to avoiding conflicts.

- 36.2 On matter related to tariff preferences exchanged under the PTA, the exchanges among member countries should continue on the basis of non-discrimination via the most-favoured-nation (MFN) principle.
 - 36.3 With regard to the first set of AIPs, it should be continued and the procedures governing its implementation be streamlined.
 - 36.4 Cooperation in the area of transportation and communication should be further enhanced.
 - 36.5 With regard to the recommendations on the ASEAN Machinery, the ASEAN Secretariat be provided with adequate staff and funds so that it can carry out effectively its functions and that the provision of funds should be carried out through its budgetary system.
 - 36.6 While ASEAN welcomed financial assistance from third parties, the existing ASEAN Fund should be more fully and efficiently utilized for ASEAN projects.
37. The Ministers noted that the ASEAN Trade Fair which will be held in Bangkok on 26 October–4 November 1984, will concentrate on promoting intra-ASEAN trade.
38. The Seventeenth Meeting of the ASEAN Economic Ministers will be held in Kuala Lumpur in early February, 1985.
39. The delegations of Brunei Darussalam, Malaysia, the Philippines, Singapore and Thailand expressed appreciation to the Government and people of Indonesia for the warm hospitality extended to them and the excellent arrangements made for the Meeting. The Ministers also expressed appreciation to the ASEAN Secretariat for their valuable assistance.
40. The Meeting was held in traditional spirit of ASEAN cordiality and solidarity.

SOURCE: Indonesian Press Release.