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Report

drawn up on behalf of the Committee on External Economic Relations

on the economic importance of the so called "newly industrialised countries"

Rapporteur : Sir Jack STEWART-CLARK

PE 88.907/fin.

English Edition

At its sitting of 7 July 1983, the European Parliament referred to the Committee on External Economic Relations the motion for a resolution tabled by Mr PESMAZOGLOU pursuant to Rule 47 of the Rules of Procedure on the economic importance of the so-called "newly industrialised countries" (Doc. 1-557/83).

At its meeting of 28 September 1983, the Committee appointed Sir Jack STEWART-CLARK, rapporteur.

It considered the draft report at its meetings of 21/23, 28/29 February 1984. At the last meeting it adopted the motion for a resolution as a whole unanimously, with one abstention.

The following took part in the vote: Sir Fred CATHERWOOD, Chairman; Mrs WIECZORECK-ZEUL, Vice-Chairman; Mr van AERSSEN, Vice Chairman; Dr SEAL, Vice-Chairman; Sir Jack STEWART-CLARK, rapporteur; Mrs BADUEL GLORIOSO; Mr BLUMENFELD; Miss HOOPER; Mr PESMAZOGLOU; Mr RADOUX; Mr RIEGER; Mr SPENCER; Mr RIVIEREZ; Mr ZIAGAS.

This report was tabled on 8 March 1984.

The deadline for the tabling of amendments to this report appears in the draft agenda for the part-session at which it will be debated.

C O N T E N T S

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

The European Parliament,

- having regard to the motion for a resolution tabled by Mr PESMAZOGLOU (Doc. 1-557/83),

- having regard to the report of the Committee on External Economic Relations (Doc. 1-1546/83),

- defining the Newly Industrialised Countries for the purpose of this report as the Republic of Korea, Taiwan, Hong Kong and Singapore from Asia and Brazil and Mexico from Latin America,

A. considering that the international trading system under the pressures of recession and mounting unemployment is in danger of becoming less open and less liberal;

B. recognising the dangers inherent in a policy which advocates free and open trading at times of economic prosperity but which falls back on protective measures during recession;

C. recognising that unemployment in the industrialised countries has resulted as much from a lack of competitivity and low productivity among companies in these countries, as from increasing imports - but also recognises that raising productivity may also imply further job losses in the short term;

D. believing that increasing and unquestioning protectionism, while offering the prospect of short-term relief from the effects of competitive imports from the N.I.C.s, is harmful in the longer term to the economic and social well-being of the countries of the European Community;

E. aware, on the one hand, that the share of manufactured goods imported by the EEC is approximately 80 % from the A.I.C.s but only 5 % from the Asian N.I.C.s and 3 % from the Latin American N.I.C.s but, on the other hand, that these imports are in labour-intensive sectors;

F. noting, however, that the major beneficiaries of G.S.P. were the six N.I.C.s in this report and that in 1980/81 they accounted for 50 % of all OECD imports made under this scheme;

G. aware that the economic and industrial expansion of not only the Newly Industrialised Countries but also of the emerging developing countries can improve the exporting prospects of the industrialised countries;

H. recognising that this expansion involves a shift of industrial sectors from the industrialised countries to the N.I.C.s and in turn from the N.I.C.s to the Emerging Industrialised Countries; believing that this need not necessarily be to the detriment of the Community, provided that the following measures are taken:

(a) to improve the competitivity of its traditional industries by adequate investment in research and development and by modernisation that will increase productivity,

(b) by encouraging the transfer of resources to knowledge-intensive industries and services,

(c) by active job creation policies;

I. accepting the right of the countries of the Community not only to preserve but to develop and modernise their strategic industries;

J. accepting that it is reasonable for the Emerging Industrialised Countries to accord a measure of temporary protection to their developing industries, as is indeed recognised by the fact that preferences given by the Advanced Industrialised Countries under the GSP do not have to be reciprocated by the developing countries;

K. recognising, however, that there are wide divergences between the Newly Industrialised Countries, both in their levels of economic and industrial development and in the degree to which their markets are open to exports from the Community, and that certain Newly Industrialised Countries are now in a position to accept progressively their full responsibilities as equal trading partners with the Advanced Industrialised Countries;

L. stressing the difference between fair but competitive trading based on lower manufacturing costs in the N.I.C.s and unfair trading based on heavily subsidised exports, counterfeiting products, breaches of copyright and trade marks and repressive labour practices;

M. recognising that the rules and provisions established by the ILO provide one of the means of ensuring fair and competitive trade;

N. recognising the acute problems being experienced by the Latin American N.I.C.s in servicing, let alone repaying, their overseas debts;

O. recognising the political importance of the Newly-Industrialised Countries and the need to reinforce democratic principles and trade union rights in these countries;

1. Considers that there is no common reason for permanently maintaining the N.I.C.s as full beneficiaries of the GSP and that, beyond a certain level of development, they should take on the status and responsibilities of a fully developed country;

2. Calls on the Commission of the European Economic Communities in close consultation with the European Parliament to develop criteria which will enable the identification of those Newly Industrialised Countries which are ready to graduate to developed status; to do this by an intensive dialogue with the N.I.C.s themselves and by exploring with GATT, OECD, IMF and the World Bank means of easing the transition of these countries to fully developed status;

3. Stresses that the way forward to improving trade with the N.I.C.s is one in which mutual growth in production and employment is encouraged, rather than restrictions; this entails embarking on an actively competitive approach to our competitors abroad including the N.I.C.s and the pro-

vision of incentive schemes and credit facilities to those manufacturers and trading houses which can develop good products and can thereby responsibly increase the Communities' trade abroad;

4. Believes that by giving too much protection to traditional labour-intensive industries against imports from the N.I.C.s, there is the risk of delaying modernisation of those industries to their ultimate detriment in trading competitively; points to the fact that such protection can divert funds and so delay transfer into knowledge-intensive industries;

5. Recognises that it is the larger and declining industries which are labour-intensive and situated in depressed areas which would exert more pressure for protectionism, therefore considers that the Community and Member States must step up regional development policies, in particular as regards job creation schemes, so as to offset this pressure;

6. Considers that, where defensive policies are embarked upon by the EEC, these must be transparent since this will help to prevent powerful self-interest groups from influencing them to the detriment of the general interest;

7. Points out that the regulations involved in managed trade inevitably lead to evasion and malpractice, for example the profit made by middlemen who buy in earlier in the year at subsidised prices but sell later in the year on the basis of unsubsidised prices once a quota has been exhausted;

8. Asks the Newly-Industrialised Countries with substantially protected home markets to recognise that, in the best interests of all parties, it would be more desirable for them to break down their own tariff barriers rather than risk new barriers being erected against them by the industrialised countries;

9. Recommends that the Newly Industrialised Countries pursue a policy of diversification into a broader field of consumer goods, intermediate products and components where opportunities will abound;

10. Recommends that the Newly Industrialised countries widen the markets into which they are selling in the recognition that the greater penetration into the EEC, the more likelihood there will be of protectionist forces having their way;

11. Recommends that the Generalised System of Preference should be widened in scope to benefit the emergent industrialised countries and the poorer countries of the world and believes that the principle that should prevail is that the lower the development of a country, the more it should benefit from the GSP;

12. Consequently, recommends that the extent of benefit should be increased to include individual and groups of Emerging Industrialised Countries and the poorer countries of the world, at the same time as graduating the benefits of the GSP for the N.I.C.s;

13. Wishes to see a more equitable sharing of the burden of the systems of generalised preference amongst all the industrialised countries;

14. Requests the Newly Industrialised Countries to consider setting up their own Generalised System of Preferences with respect to their own dealings with the Emerging Industrialised Countries;

15. Points out that quantative quotas will often encourage the N.I.C.s to produce higher quality products which in turn will create competitive pressures; as an example, Hong Kong, by upgrading its quality in clothing products, is becoming a new world fashion centre;

16. Calls on all the Newly-Industrialised countries to join the ILO and in any case to take full account of the principle points of the rules and provisions established by the ILO;

17. Urges the Commission to ensure that banks and export credit organisations are providing loan agreements and export financing with a minimum of delay, particularly to ensure an efficient servicing of capital prospects;

18. Cautions against the increasing practice of providing subsidised credit to industries in world surplus capacity;

19. Believes that benefits will accrue both to member countries of the EEC and to the N.I.C.s if encouragement is given to the education and technical training of students and young managers from the N.I.C.s;

20. Building upon this resolution and making use of OECD and other services, requests the Commission to complete, no later than end of 1985, a survey of the Community's economic relations with the Newly-Industrialised and emerging industrialised countries of Asia and Latin America. This survey should cover, inter alia:

(a) the problems that are being created by a rising volume of exports from Newly Industrialised Countries, but in the context of the EEC's overall trade and rising exports to those countries;

(b) the problems that are being created for identical European industries by the concentration of exports from the Newly Industrialised Countries into a narrow range of specialised products;

(c) the extent to which protection of these industries is to their short- and long-term benefit and to overall Community industrial and trading development and to consumers;

(d) the extent to which exports of the N.I.C.s consist of goods produced by subsidiaries of foreign-based companies (including those of the EEC);

(e) the impact which the economic development of the N.I.C.s has on employment and on wages and working conditions in these countries;

The Commission, upon the completion of this survey, should make a series of policy recommendations for submission to the European Parliament.

21. Instructs its President to forward this resolution to the Commission and Council.

B.

EXPLANATORY STATEMENT

The Newly Industrialising Countries

A. Introduction

Despite the operation of GATT and progressive reductions of tariffs, the current world recession has weakened the international trading system. Today, it is becoming less open and less liberal. It is becoming more protectionist and more nationalistic due to the continuing and heavy pressure on Governments from industrialists, trades unionist and other groups in each country of the developed world. Consequently, the use of both tariff and non-tariff barriers against imports is increasing. Restrictions to existing free trading schemes are often being applied in an ad hoc manner with the result that international trade is becoming increasingly less free and more regulated.

It is a widely held view in the Advanced Industrialised countries (AICs) that the Newly Industrialised countries (NICs) are posing a threat to their industries. This they are doing by a combination of factors which include low wages, high subsidies and with some exceptions protection of their internal markets. There is consequent damage to the home markets of the AICs and a destablisation in world markets.

On the other side the NICs see their hopes of increased access to the markets of the AICs being frustrated as a result of the adoption of restrictive measures against them and an unwillingness on the part of the AICs to shift production of internationally uncompetitive products into those areas where the industrialised countries would have a comparative advantage. They see the AICs embarking on a proliferation of protectionist measures tailored to the needs of special sectors such as textiles, clothing, footwear, steel, automobiles and agricultural products to such an extent that "exceptions" now constitute the bulk of international trade.

It is the purpose of this report to examine this situation, to assess the merits of their claims and to make recommendations.

B. The NICs

OECD have identified eleven NICs. They are South Korea, Taiwan, Singapore and Hong Kong in Asia, Brazil and Mexico in South America and Greece, Portugal, Spain and Yugoslavia in Europe. This report will concentrate on the Asian and South American NICs but mainly the former. Those from Europe have a different set of circumstances and will remain outside the remit of this report.

The NICs have certain factors in common. They show a fast growth in their industry, they have a rapidly expanding export market in manufactured goods and they enjoy a rising GNP which is, in most cases, nearer to the industrialised countries than to the average of the developing countries. In the case of the Asian NICs, they each share a perception of a potential threat from a larger neighbouring country. These countries also have a Sinic culture. They work hard and readily accept discipline.

The NICs do, however, have a great deal which is not common. Their land areas, population, natural resources, income per head, political system, attitude to free trade, degree of national solvency, etc., vary enormously one from the other.

The following table shows the extent of this diversity:

COMPARATIVE STATISTICS

	SOUTH KOREA	TAIWAN	HONG KONG	SINGAPORE	BRAZIL	MEXICO
Population in Millions	39.0	19.0	5.1	2.4	123.0	72.0
Land Area in 000 Sq. Klms.	99	56	1.1	0.6	8,512	1,973
Capital City	SEOUL	TAIPEI	VICTORIA	SINGAPORE CITY	BRASILIA	MEXICO CITY
Literacy	93%	-	77%	69%	76%	82%
Density in 1980: Persons Per Sq. Klm.	379	477	4,607	4,023	14.5	36.5
G.D.P. Growth Rate 1978-79	10.3%	29.8%	-	8.4%	8.7%	5.1%
G.N.P. Per Head 1980	1,509	-	-	4,361	1,863	2,317
G.N.P. in $ Billion: 1980	57.7	-	-	-	229	167
Currency	WON	NEW TAIWAN $	H.K. $	SING. $	CRUZEIRO	PESO
Exchange Rate to U.S.$	683	38	-	2.1	128	26.6
Current Account: Surplus/Deficit Billion $: 1980/81	- 4,700	- 965	- 950	- 1,579	- 10,600	- 11.5
Reserves Million $: 1980/81	6,541	-	-	6,652	6,602	2,832
Merchandise Imports Million $: 1981	24,105	20,421	22,367	22,392	25,002 (BO)	18,705
Merchandise Exports Million $: 1981	20,850	22,284	21,941	18,070	20,132 (BO)	16,210
Annual Imports % Change in Current $	79/78 80/77	79/78 80/77	79/78 80/77	79/78 80/77	79/78 80/79	79/78 80/79
Annual Imports from World	36% 9.5%	31% 33%	27% 31%	35% 36%	31% 29%	60% 62%
Annual Imports from Industrial Countries	29% - 6.9%	29% 23%	25% 25%	37% 38%	14% 20%	58% 61%
Annual Imports from Oil Exporting Countries	44% 56.0%	37% 70%	81% 31%	34% 41%	48% 45%	70% - 9.5%
Annual Imports from Other Developing Countries	94% 15.1%	36% 41%	29% 39%	39% 31%	70% 21%	77% 28.0%

1. Areas and Location of Manufacture

There is a continuing and progressive shift in products from the AICs through the NICs to the EICs and other developing countries. The 1960s and 1970s saw a move of textiles, clothing and footwear away from the industrialised countries to the NICs and now there is a further move of these self-same products into the developing countries. In turn, it is now the NICs who are taking over much of the business done in electrical goods, in shipbuilding and in steel where low to medium technology is needed, but where a good cheap labour force can give them a competitive edge over the more expensive AICs. However, in some cases the industrialised countries have been able to retain and even to bring back the manufacture of products in competition to the NICs by virtue of high investment in plants modernisation and automation.

2. Similarity to Japan

There is a parallel to Japan in the current development of NICs such as Korea and Taiwan. The two latter countries are just emerging from a period such as was witnessed in Japan in the late 1950s and early 1960s, with the growth of new and powerful industry groups, based on low wage costs, large scale investment and increasingly sophisticated products. Growing prosperity has brought higher living standards as a result of significant wage increases.

Countries such as Korea and Taiwan are largely dependent, like Japan, for raw materials and energy on imports. The pressure on NICs to increase their competitivity became greater with the two oil price shocks with slower world trading and with greater instability in the world economy. Oil price increases led to a greater need for some NICs, notably South Korea and Taiwan to export to maintain balance of payments. Slow growth in their economies at home also gave a further incentive for them to export.

However, as the following table illustrates, the Asian NICs are still much smaller in trading size than Japan. They are also dependent to a high degree on foreign investment.

BALANCE OF PAYMENTS IN 1982

in MIO US Dollars

	Merchandise Exports f.o.b.	Merchandise Imports f.o.b.	Balance on Current Account
SOUTH KOREA	20891	23507	- 2679
TAIWAN	21776	18130	+ 2248
HONG KONG	19553	21933	+ 962
SINGAPORE	19377	26349	- 1279
TOTAL	81597	89919	- 728
BRAZIL	20189	19400	-16333
MEXICO	21433	14400	- 2777
TOTAL NIC	123219	123719	-19838
MALAYSIA	11974	12640	- 3443
THAILAND	6824	7676	- 1144
PHILIPPINES	5019	7664	- 3356
INDONESIA (1)	23300	16553	- 1220
TOTAL	47117	44533	- 9163
E.C.	590211	591346	-10083
U.S.	211516	248228	- 8297
JAPAN	138105	119749	+ 7034
TOTAL	939832	959323	-11346

SOURCE: CRONOS-ZPVD, EUROSTAT
Balance of Payments, EUROSTAT
Balance of Payments STatistics, Yearbook, Part 1, 1982, IMF
Central Bank of Taiwan
1983 Economic Prospects by H.K. Government

(1) 1981

3. Capital Growth and Foreign Investments

The NICs succeeded in raising the rates of increase in capital formation throughout the 1970s in sharp contrast to the AICs. These high rates of investment allowed the NICs to improve productivity which increased their competitiveness. In turn this has enabled a strong growth in exports to take place and led to these countries becoming highly attractive as centres of offshore manufacturing bases for foreign companies. Direct foreign investment has undoubtedly helped to accelerate the changing balance of power between the industrialised and the more rapidly growing NICs. However, the benefits which foreign companies have gained through their share in the exports of the NICs have, in many cases, been outweighed by the growth of independent companies in these countries which have often received relatively more favourable treatment from their Governments.

4. Other Factors

Other important factors which have influenced the development of NICs particularly those of South-East Asia are:

a) Clearly defined government goals for industrialisation
b) A high degree of political stability

c) An adaptable and productive workforce in abundant supply

d) Encouragement and availability of entrepreneurs

5. Balance of Payments

The next statement shows that with the notable exception of Taiwan and to a lesser degree Hong Kong, NICs under consideration trade at a loss on current account, any apparent surplus on trade being turned into deficit by interest repayments.

6. Trade with the EEC

The overall share of the NICs in Community trade is not large (See tables following this section). However, this picture conceals the fact that there is a concentration of exports into certain narrow product areas. It is this which has caused recent friction between the EEC and the NICs.

South Korean trade has increased in the last 20 years from a negligible flow in the 1960s to 0.8% of total European Community imports from third countries in 1982, worth US $ 2353m. Principal exports to Europe are textiles, clothing and footwear, transport equipment and electrical goods. The US $ 1270 of European exports to South Korea in 1982 consisted mainly of industrial goods and some consumer items.

Taiwanese trade has experienced a similar dramatic growth during the past 20 years. Imports into the EEC were worth just over US $2500m in 1982, being made up of clothing, wood manufactures, electrical machinery and consumer goods, travel goods and toys and sports requisites. The US $ 1401m exported to Taiwan by the EEC was accounted for chiefly by transport equipment, electrical machinery and chemicals.

Of all the NICs, trade with Hong Kong is the largest and has consistently represented at least 1.2% of both total European Community imports and exports over the past 20 years. Imports from Hong Kong are still mainly clothes and consumer goods especially electronic goods.

Exports are widely spread over the whole range of industrial supplies, transport equipment, machinery and consumer goods.

Singapore is the only NIC under discussion to take more from the European Community (1982, US $ 1125) than it exports. Major imports from Europe are machinery, transport equipment and manufactured goods in general. Exports include electronic goods, chemicals and rubber.

Manufactured exports accounted for 45% of Brazilian and one-third of Mexican total exports in 1980. Despite this, however, exports to the EEC have been primarily in food and beverages and raw materials and imported goods have consisted of industrial supplies, machinery and transport equipment from Europe to Mexico and Brazil. Mexican trade in 1982 was approximately US $2400 in each direction but Brazil which has exported consistently more than it has imported from Europe for the last 20 years, exported US $5995m to E.C. in 1982, or 1.9% of total European Community imports from third countries.

4. EC SHARE IN THE TRADE OF THE NICS AND CERTAIN AICS

	% SHARE OF TOTAL IMPORTS TAKEN BY EC			% SHARE OF TOTAL EXPORTS TAKEN BY EC		
	1970 (1)	1976	1982	1970 (1)	1976	1982
SOUTH KOREA	10.5	7.7	7.1	7.7	15.0	12.6
TAIWAN	8.3	9.6	7.5 (2)	9.8	11.6	11.5 (2)
HONG KONG	18.2	12.0	12.0	21.3	24.0	17.2
SINGAPORE	15.6	10.9	10.3	15.6	14.9	9.3
MALAYSIA	23.1	17.3	12.1	19.3	21.0	14.5
THAILAND	22.6	12.9	11.2	18.3	21.9	24.0
PHILIPPINES	15.5	12.1	10.5	7.5	19.0	13.9
INDONESIA	21.6	21.3	18.3	14.3	7.3	4.5
BRAZIL	28.6	20.1	12.6	34.9	30.6	26.9
MEXICO	19.9	16.3	11.8	6.2	8.8	11.1
ARGENTINA	30.8	27.4	23.1	46.7	33.2	21.8

(1) EC-9

SOURCE: Directory of Trade Statistics, Yearbook 1983 and Annual 1970-1976, IMF

B. E.C. BALANCE OF TRADE

MIO US.DOLLARS

WITH NAMED COUNTRY	1963	1970	1974	1979	1981	1982
TOTAL EC - EXTRA	- 5747	- 5234	- 22039	- 30097	- 41467	- 34273
JAPAN	- 8	- 508	- 2128	- 7795	- 11834	- 11407
U.S.A.	- 2974	- 3062	- 5565	- 12324	- 13862	- 70701
SOUTH KOREA	26	96	- 223	- 610	- 1360	- 1084
TAIWAN	- 1	- 28	- 177	- 1150	- 1284	- 1135
HONG KONG	- 2	- 82	- 618	- 1401	- 1391	- 946
SINGAPORE	98	196	487	503	856	1125
TOTAL ASIAN NIC	121	182	- 531	- 2658	- 3179	- 2040
BRAZIL	- 153	- 365	390	- 1783	- 3003	- 3518
MEXICO	33	345	694	1506	1369	- 34
TOTAL NIC	1	162	553	- 2935	- 4813	- 5592
MALAYSIA	- 61	- 128	- 404	- 1165	- 435	- 458
THAILAND	62	103	107	- 340	- 636	- 846
PHILIPPINES	- 7	113	86	- 151	- 274	- 216
INDONESIA	21	- 33	215	- 395	979	1650
TOTAL EIC	15	55	4	- 2051	- 366	130

SOURCE: Special Number of Monthly External Trade Bulletin, 1958-1982, EUROSTAT

C. E.C. IMPORTS (C.i.f.)

EXPORTING COUNTRY	1963		1970		1974		1979		1981		1982	
TOTAL EC - EXTRA	33620	100%	59839	100%	1555152	100%	300642	100%	339180	100%	314944	100%
JAPAN	524	1.6	1900	3.2	5461	3.5	14185	4.7	18081	5.3	17587	5.6
U.S.A.	6774	20.7	12416	20.8	24665	15.8	46372	15.6	55359	16.3	52739	16.8
SOUTH KOREA	6	0.0	59	0.1	549	0.4	2336	0.8	2610	0.8	2353	0.8
TAIWAN	23	0.1	144	0.2	750	0.5	2273	0.8	2876	0.9	2536	0.8
HONG KONG	269	0.8	611	1.0	1516	1.0	3975	1.3	4318	1.3	3927	1.3
SINGAPORE	69	0.2	122	0.2	422	0.3	1310	0.4	1460	0.4	1354	0.4
TOTAL ASIAN NIC	367	1.1	936	1.6	3237	2.1	9894	3.0	11264	3.3	10170	3.2
BRAZIL	489	1.5	1091	1.8	2732	1.8	5036	1.7	5832	1.7	5995	1.9
MEXICO	178	0.5	139	0.2	420	0.3	617	0.2	2204	0.1	2452	0.8
TOTAL NIC	1034	3.1	2166	3.6	6389	4.1	15547	5.2	19300	5.7	18617	5.9
MALAYSIA	282	0.8	395	0.7	1063	0.7	2316	0.8	1959	0.6	1729	0.6
THAILAND	81	0.2	141	0.2	428	0.3	1394	0.5	1046	0.5	1705	0.5
PHILIPPINES	125	0.4	97	0.2	312	0.2	995	0.3	1071	0.3	978	0.3
INDONESIA	119	0.4	247	0.4	547	0.4	1497	0.5	1279	0.4	1167	0.4
TOTAL EIC	607	1.8	880	1.5	2350	1.5	6202	2.1	5955	1.8	5579	1.8

SOURCE: Special Number of Monthly External Trade Bulletin, 1958 - 1982, EUROSTAT

b. E.C. EXPORTS (F.o.b.)

MIO US $ & %

IMPORTING COUNTRY	1963		1970		1974		1979		1981		1982	
TOTAL EC-EXTRA	27873	100%	54605	100%	133114	100%	259383	100%	297713	100%	280671	100%
JAPAN	516	1.9	1392	2.6	3334	2.5	6390	2.5	6257	2.1	6180	2.2
U.S.A.	3800	13.6	9354	17.1	19100	14.4	34549	13.3	41497	13.9	42037	15.0
SOUTH KOREA	32	0.1	155	0.3	326	0.2	1726	0.7	1250	0.4	1270	0.5
TAIWAN	22	0.1	116	0.2	574	0.4	1123	0.4	1233	0.4	1401	0.5
HONG KONG	267	1.0	529	1.0	898	0.7	2574	1.0	2927	1.0	2980	1.1
SINGAPORE	167	0.6	318	0.6	909	0.7	1813	0.7	2317	0.8	2479	0.9
TOTAL ASIAN NIC	488	1.8	1118	2.1	2707	2.0	7236	2.8	7727	2.6	8130	2.9
BRAZIL	336	1.2	726	1.3	3122	2.4	3253	1.3	2829	1.0	2477	0.9
MEXICO	211	0.8	484	0.9	1114	0.8	2123	0.8	3573	1.2	2418	0.9
TOTAL NIC	1035	3.7	2328	4.3	6943	5.2	12612	4.9	14129	4.8	13025	4.6
MALAYSIA	221	0.8	267	0.5	658	0.5	1151	0.4	1524	0.5	1272	0.5
THAILAND	143	0.5	244	0.5	536	0.4	1054	0.4	1009	0.3	858	0.3
PHILIPPINES	118	0.4	210	0.4	398	0.3	844	0.3	797	0.3	762	0.3
INDONESIA	140	0.5	214	0.4	762	0.6	1102	0.4	2259	0.8	2817	1.0
TOTAL EIC	622	2.2	935	1.7	2354	1.8	4151	1.6	5589	1.9	5709	2.0

SOURCE: Special Number of Monthly External Trade Bulletin, 1958 - 1982, EUROSTAT

C. The AICS

The NICS began their rapid growth in the 1960s. At that time most countries in the EEC were losing market share but were more than compensating for this in terms of sales and profits by overall world market growth. In the latter half of the 1970s, when the world economy started moving into stagnation, this loss of market share became more evident and started exerting pressures on the governments and industries of the AICs. This situation was exacerbated by an increased variability in exchange rates and a shortening of product life cycles due to high technology which helped to make manufacturing export markets increasingly unstable. The combination of these factors led in Europe to a marked falling off in investment and a reluctance on industry's part to incur high fixed costs in developing new products, training management in new techniques and building up overseas markets at a time when company shareholders and the Stock Exchange were looking for short-term results equivalent to those achieved in the 1960s. Thus inability to act during the 1970s came at precisely the same time as an unprecedented surge of investment and export expansion in many of the NICs.

Profit margins within the AICs have been affected in many industries facing competition from the NICs. This has included steel, shipbuilding, non-ferrous metals, chemicals, consumer electrical goods and electronic components. Both Korea and Taiwan have become forceful competitors in these products. In addition exports of textiles, clothing and footwear from the Asian NICs have caused great difficulties to many European manufacturers.

It has been concentration in a relatively small number of product areas which has caused European industry to be so put out by competition from the Asian NICs. There is a close relationship at industry level between import penetration on the one hand and the scale of employment and profitability on the other. It is also the case that workers have traditionally enjoyed above average earnings in the steel, shipbuilding and automobile sectors which have been going through increasingly hard times because of competition from Japan and the Asian NICs. Consequently, the social effects of job losses have all too readily been blamed on these countries and have built up political pressure for action against them.

The European Commission and OECD have both estimated that growth rates of around 3.5% will be needed within the EEC to prevent unemployment rising further. The current average projection for 1984 is for a growth not exceeding 2% within the EEC. Consequently, at a time when unemployment is high in the EEC and rising, there is mounting worry about jobs which have been lost on account of imports from the low wage countries and particularly the NICs. However we believe it is the effects of the recession, a lack of competitivity and the results of technological change which are much more significant in causing job losses.

D. <u>International Companies</u>

A combination of factors has caused many European international companies to invest heavily in the NICs. In the first place the availability of skilled and disciplined workers at low wage rates has made the Asian NICs particularly attractive to counter both high manufacturing costs at home and also the increasing incursion of Japanese goods into EEC markets. It seems also to be the case that market access problems to the AICs has stimulated the NICs in attracting investment by international companies in manufacturing operations. It has been seen that these companies can often provide assured outlets for components or "kits" made in the NICs and then shipped for final assembly into finished products back in Europe (or the USA/Japan). Also international companies have much easier access to markets for finished products made in the NICs. Singapore in the mid-1970s handled 70% of its exports through international companies and 30% of its production came from factories owned or controlled by such companies. International companies handled 40% of the exports of Brazil, 30% of those of Korea and Mexico. Consequently, the degree of control which international companies have over both manufacturing and exports of the NICs is by no means negligible and, for the most part, is beneficial to the NICs as they bring foreign investment and production know-how to these countries.

E. Questions to be answered

We have to ascertain to what extent the increase in competition from the NICs has been due to their lower wage costs, inferior working conditions and Government subsidies and to what extent such conditions can be considered unfair. Against this we need to ask ourselves to what extent Europe and the Western world have become uncompetitive due to profligacy in the 1980s and whether the adjustments being made in the late 1970s and early 1980s will be sufficient to compensate for the increasing competition from the NICs. One needs to answer the vital question as to whether the growth of the NICs is contributing to an increase in world trade flows and, if so, whether this justifies encouragement rather than repression of the growth of their economies through protectionist measures.

One also needs to recognise that some of the NICs, particularly Korea and Taiwan, have made use of high import tariff barriers into their countries in order to protect their so-called infant industries. On the other hand, countries like Hong Kong and Singapore are virtually free trade ports and no barriers consequently exist to importers. We have to ask whether the AICs be penalising the former but tolerating the latter and if so why?

F. What we must do

1. History

After the Second World War, the victorious nations avoided the mistakes made after the First World War, by supporting rather than penalising those countries which had been defeated. In addition, a depression such as had resulted after the First World War was avoided largely by the efforts which were made to stimulate growth in free trade through GATT through the European steel and coal community and in time by measures introduced by the World Bank, by the International Monetary Fund and through the GSP to help build up the less developed countries of the world and thereby to help increase world trade. Today few would quarrel that it is the outward looking growth policy of the past 30 years which has motivated the remarkable growth which we have seen in world trade and with it the growing prosperity not only of the industrialised nations of the world, but also of the NICs.

History, has therefore, taught us that the greater the expansion of the newly developing world, the greater will be the opportunities for the advanced industrial nations to build their own exports to those countries and to earn foreign exchange thereby. Therefore, before embarking on a policy of directly or indirectly limiting the growth of the NICs, one needs to weight carefully in the balance the consequent loss which would also take place in the advanced industrial nations by that lack of growth. Our countries have more experience in areas such as transport, communications, energy systems, pollution control and educational systems. We also have more sophisticated banking and insurance systems. These are all valuable exports. There are also other knowledge intensive industries in which the advanced countries of the world excel to a greater extent, than the newly industrialised countries, and which should be exploited to the full.

2. Transfer of Production

At the beginning of the century an established pattern developed with the then newly industrialised and colonising countries selling labour intensive manufactured goods to their colonies in exchange for raw materials. Today a new pattern of trade is emerging to the point where it will be the AICs whose role it is to supply high technology products and services in exchange for manufactured goods requiring less skills and more labour from the NICs. If we in the EEC do not recognise this evolutionary process and endeavour to perpetuate relatively inefficient industries, by over protecting them and their home markets, this will inevitably lead to an erosion of competitiveness. Overseas markets will be lost where no restrictions can be imposed and the necessary transfer to knowledge-intensive industries will be hampered. Also, by putting too much pressure on the NICs they will be forced to move more quickly into those very manufacturing processes which the AICs should most legitimately be undertaking.

Despite the force of this argument, the NICs must recognise that the effects of recession and unemployment in the AICs will lead to increasing protection. No amount of natural evolution will prevent this whilst people's jobs and livelihoods are at stake. They should, therefore, endeavour to mitigate the effects of protection by diversifying their industries as far as possible and by avoiding investment in products which, on the one hand are potentially sensitive to the AICs, and on the other require large volumes of production to make investment worthwhile. We also caution the NICs from making too heavy investments in products and industries, where protection is likely to come about.

3. Industries

Textiles. From 1970 to 1977 there was a decline of 22% down to 2.7 million people in employment in the European Community's textile and clothing industries. In the same period, Japan saw a decline of 25% in employment in her textile industry but was largely able to maintain employment in the clothing industry. This was partly because Japan modernised her textile industry quickly thus shedding labour but also because she pursued a policy of deliberately moving out of textiles into higher technology products. Recently the European Community has re-negociated the multi-fibres agreement laying down new ground rules for textiles and clothing, which extend restrictions on a range of textile and clothing products considered to be sensitive. The MFA has been operating since 1962 and was renewed in 1977 and 1983. Even in 1983 however, temporary periods of protection are being asked for in order to enable the textile and clothing industries to consolidate and modernise. Quotas imposed have indeed resulted in a slow down in the speed and entry of goods coming from Hong Kong, Singapore, Korea, Taiwan and Mexico, but one may ask if this has also not slowed down the process of modernisation within the EEC's own textile industries. Undoubtedly, a balance must be achieved and no Government can afford to see the total elimination of an industry. Nonetheless, it is the role of both Commission and the European Parliament to ensure that the picture is not distorted due to pressure from strong manufacturing lobbies.

Electronics. We are also concerned lest the MFA pattern should spread quickly to other industries. Already one has seen mounting pressure for protection in consumer electrical goods. Hong Kong, Singapore, Taiwan and Korea and becoming increasingly competitive in producing such products. Since the late seventies, electrical and electronic production in Korea and Singapore has been growing at a rate of nearly 30% a year and has exceeded 15% a year in Taiwan and Hong Kong.

Absolute production output in these countries is still relatively small and is substantially dependent upon foreign investment. However, we accept that the pattern will change as countries such as South Korea encourage their independent conglomerates to become ever more important. Japan is already recognising this factor and is taking steps to move into more sophisticated and professional electronics. This can be seen by the following table:

STRUCTURAL CHANGE IN THE JAPANESE ELECTRONIC INDUSTRY
(PERCENTAGE SHARE PER SECTOR)

	TOTAL	CONSUMER	PROFESSIONAL	PARTS/COMPONENTS
1971	100	42%	33%	25%
1980	100	34%	35%	31%
1982 Real	100	32%	36%	32%
1983	100	29%	38%	33%
1990 Exp.	100	21%	50%*	29%**

* Computers: 29%

** Integrated Circuits : 12%

To produce a balanced and expanding world economic trade, we must endeavour to see that countries of different levels of economic development are encouraged to produce those products which are most suited to their skills and requirements. This means a continuing transfer of traditional industries to the poorer developing nations to the world but it does not necessarily follow that the AICs have to sacrifice completely their traditional industries as in many sectors a high degree of investment and automation can more than make up for cheaper wage costs in the developing countries. Nevertheless, a transfer will take place and this transfer must be recognised as inevitable. Finally, the EEC has to realise that unless it can be as competitive as the United States and Japan in terms of the research and development, production development, automation and efficient production of technological and knowledge-intensive products, that it will lose wealth and power and influence in the world. It will fall between the two stools of traditional industries being usurped by the developing powers and by most advanced nations gaining the lion's share in the new products.

4. Differences

We need to recognise that the NICs are all very different in nature. Even the Asian NICs on which this report is concentrating, show enormous differences one from the other. Policies must, therefore, be worked out according to the development and the economic characteristics of each. This means, firstly, strengthening the trading relationship between the EEC, the Commission and the country concerned. Secondly, working closely with the other advanced industrial countries to pursue broadly similar policies to the NIC concerned, and thirdly, ensuring that the relationship between the NICs and the new wave of emerging industrial countries is fully understood.

It is also important to avoid taking a single snapshot of an NIC at one period in time. This will lead one to invalid conclusions. As an example, Korea shows today rising productivity but still low wages. Taiwan on the other hand, which in its economic development is ahead of Korea, has shown a substantial leap in wages much as a result of increasing productivity. For a time too, this may result increasing market shares, higher production and high profits, but these, in turn, will give rise to most internal social and political pressures for higher wages and taxation.

5. Graduation

It, of course, must continue to be the underlying responsibility of the Governments of the EEC and other advanced countries, to create conditions under which inflation and taxation are kept low, investment (particularly in new products), new methods, new plant and machinery are encouraged and markets both at home and abroad are kept as stable as possible. It is the extent to which the NICs upset this stability that concern must be expressed. One, therefore, has to distinguish between the normal growth patterns of NICs and those which are abnormal. In the first place, NICs at their initial period in development, can be expected to protect their markets and their infant industries through tariff barriers, import quotas and general subsidies. This would seem to be recognised by the AICs since the GSP scheme is non-reciprocal and does not impose barriers on countries protecting their own markets.

It is in the latter stages of development when NICs make special use of the special trading and financial facilities offered to them by the AICs. this is because as their economies start to grow and export promotion is actively pursued, the facilities offered by the industrialised countries become more attractive.

One notes that today in the operation of the GSP scheme and others, almost no clear standards or effective pressures exist in the field of international trade to include those fast developing NICs to assume progressively the full obligations of a mature trading partner. It seems, therefore, that our main aim must be not to put up yet more barriers in the form of quotas or ceilings against the NICs, but to bring pressure to bear upon them to become mature and responsible members of society of advanced industrial nations which they are moving towards joining. It is the means of getting to this that needs the careful consideration and joint will of all nations concerned.

It is clear that the more prosperous and industrialised of the NICs need to graduate to the status of developed countries if a state of relative balance and fairness in world trade is to be maintained.

Industrialised NICs therefore need to be encouraged to forego progressively their privileges and increasily to abide by the rules applying to mature international trading partners.

The criteria for juding a country's relative prosperity should include income per head, ratio of manufacturing to total production, the trend in export performance, balance of payments on current account and the country's reserves.

A mechanism needs to be set up, probably within GATT, to identify those NICs which should graduate to developed country status and the time scale in which this should take place. Practical assistance should be available to the NIC in question in drawing up a plan of transition in carrying out consultations with other trading partners to ensure a smooth transition. The assistance of both the World Bank and the IMF would need to be enlisted to facilitate this transition.

Nonetheless, it is imperative that those countries which are approaching the status of fully industrialised countries must be prepared to accept the obligations of the AICs albeit on a progressive basis. This means that on a planned and gradual basis they must relinquish their priviledges under the GSP and other schemes. It is also imperative if the bigger NICs with substantial home markets, notably as South Korea, Taiwan, Brazil and Mexico are to continue to receive favourable trading and financial treatment from the AICs that they must demonstrate their willingness to practice reciprocity.

6. Role of the Commission

It is vital that the Commission should have adequate staff and facilities to participate in the plan to reform arrangements with the NICs. They must be able to distinguish between exports of products from the NICs which are heavily subsidised and otherwise unfairly competitive and those products which are able to compete on price and quality because of the greater efficiency or intrinsic lower manufacturing cost due to labour rates, etc. It must remain a cardinal factor as it has with Japan, that our policy towards the NICs will not be to soften competition and so to perpetuate inefficiency at home. Trade barriers whether official or unofficial can only be justified in the face of competition, when a temporary moritorium enables industry to regroup and modernise or where the loss of a market will do long term strategic damage to a nation. In 1979 OECD produced a valuable survey into the NICs including Greece and Yugoslavia. The Commission should build on this by producing by the end of 1985 at the latest, a new survey based on the Community's relationship with the Asian and South American NICs and also with those developing countries particularly in South East Asia which will become the NICs of the 1990's. These would include Thailand, Malayasia, Indonesia and the Phillipines and probably China.

One of the principal aims of the survey should be to deal with the following apparently conflicting points:

i) The rising exports of the NICs to the EEC which being about rising exports from the EEC to the NICs and to a growth in world trade;

ii) Rising exports from the NICs which being in a relatively narrow band of products injure EEC industry just as Japanese products have done.

The survey should also recognise the conclusions reached in this report and either move to implement those that can be validated or show why they are not possible of realisation.

7. <u>On whom do we exert Pressure?</u>

Clearly no-one wishes to penalise those less wealthy EICs that are still developing but not yet fully fledged NICs. It is part of the GSP system that the beneficiary countries under the scheme do not have to observe reciprocity so as to allow them flexibility in imposing restrictions allowing subsidies, etc., to help their infant industries and to achieve industrial growth.

It is on these NICs who have export surpluses with the EEC, which are protectionist at home and compete unfairly abroad, that we must concentrate. Clearly, we must distinguish between open market countries like Singapore and Hong Kong and those which have no open market policy because of forbiddingly high import duties and captive distribution networks.

Caution must be exercised as a substantial part of the NICs emerging electronic and knowledge intensive industries have come about through the investment of foreign companies. In effect, restrictions on trade carried out by the industrialised countries can harm the industries of those self-same countries which have invested abroad.

It is ironical that in world export markets it is Japan who has the most to lose from the rise of the Asian NICs. In the first place the NICs are now beginning to produce competitively those products which the Japanese have proved so effective in during the past decade or so, e.g. colour televisions, video recorders and other consumer electrical goods. However, on top of this very many EEC and US firms have invested in the Asian NICs just in order to be able to compete with the Japanese. Britain with its historical links with Singapore and Hong Kong has made particular use of those countries for industrial investment purposes. They are by no means the only EEC country to have done so. Germany and Holland and others have considerable investments in the electrical and electronic industries in the Asian NICs.

8. Political Considerations

The Asian NICs and the emerging NICs to a greater or lesser extent share Western values as opposed to those of the Communist world. We may consider that South Korea, Taiwan and Singapore have Governments which are authoritarian in nature. However, they still allow a considerable degree of free speech, freedom of the press and Government by consent as compared to countries such as North Korea, North Vietnam, etc. where a totalitarian state holds sway.

The European Community needs to encourage the process of greater tolerance and the move towards a more truly democratic system. It will negate the chances of doing so if it over penalises these countries in terms of trade.

G. **G.S.P.**

The General System of Preferences was designed to give preferential terms for imports into Advanced Industrial Countries (AICs) for developing countries. It came into being to assist the developing countries to move from a heavy dependence on trade in primary products to developing their exports of manufactured products. It was considered that a policy of helping these countries to industrialise would benefit them by creating jobs in industry, improving standards of living and improving their balance of payments. It would also be a stimulus to world trade.

From the very start of the GSP scheme in 1971 a large portion of the total benefits from the system have been enjoyed by a few of the more advanced developing countries. In 1980, ten countries accounted for just under two-thirds of the imports of eleven OECD countries operating the GSP scheme. This can be seen as follows:

Major GSP Beneficiaries in 1980
Values of GSP Imports in Millions of US Dollars

	11 OECD Schemes together	Japan (FY)	United States	EEC
TEN LARGEST BENEFICIARIES				
1. South Korea	3 328.0	1 204.2	775.7	855.3
2. Taiwan	3 086.4	933.3	1 834.4	-
3. Hong Kong	2 454.7	118.7	803.5	984.5
4. Brazil	1 706.6	214.0	441.7	825.6
5. India	1 271.8	142.5	139.1	817.6
6. Singapore	1 207.6	204.7	-	390.6
7. China	1 066.4	385.1	-	432.4
8. Yugoslavia	1 040.7	16.7	176.8	649.9
9. Mexico	943.0	113.2	509.1	233.4
10. Philippines	930.0	347.1	135.8	350.8
Total of Above:	17 034.9	3 679.5	5 117.6	5 540.1
This group as a % of total GSP benefits accorded:	66.1%	73.8%	69.9%	59.3%

Notes: FY = Fiscal Year 1980-81
- == not a benficiary

Source - OECD: The GSP Review of the First Decade Paris, 1983.

South Korea was the largest beneficiary of GSP schemes operated by OECD countries in 1980. She received $3.3 billion in preferential treatment from eleven schemes. Taiwan which benefits from only five of the eleven schemes received preferential treatment of $3 million and was by far the largest recipient of benefit from the United States. Together South Korea and Taiwan accounted for about one-quarter of all GSP imports into OECD countries. The next four countries Hong Kong, Singapore, Brazil and India accounted for another quarter.

The Working of GSP

Preferences given by the AICs do not have to be reciprocated by the developing countries. It has always been stipulated, however, that the system should not be prejudicial to the economies of the importing countries. Consequently, tariff preferences offered under the GSP system have always been considered as temporary in nature and implying that facilities can be withdrawn in whole or in part. Further, the donor countries are able to accord differential and more favourable treatment to developing countries without affording such treatment to other countries. In other words benefits can be varied as between one beneficiary country and another. They can determine the details of their own schemes under the GSP including the limitation or withdrawal of preferences. Of course, in the case of the European Community it is the Commission which negotiate these on behalf of all member countries.

In the EEC the system of preferential limits for industrial products was changed in 1981. Preferences are extended to virtually all finished or semi-finished industrial products. However, individual country tariffs, quotas or ceilings for sensitive products, have replaced global tariff quotas or ceilings. Once imports reach a specified level, normal customs duties are imposed on the beneficiary concerned. A product quota can be anything from 15% to 50% of the total ceiling agreed for imports of all products from all NICs. A pupose of limitation is to safeguard countries of the EEC and other AICs from preferential imports of a product from an over competitive NIC. It also helps to give a wider dispersion amongst other developing countries of the benefits from preferential trade measures.

As against the number of restrictions in force, there were 131 products in 1982 which were denoted by the EEC as being sensitive. 65 of these were considered extra-sensitive and were subject to stricter control upon one or more beneficiaries. In these cases a lower quota applied. In 1982, 17 countries were subject to quotas of this sort, although South Korea and Hong Kong were the two countries most affected. It should be noted that in the case of Japan's operation of the GSP it has been China and Taiwan who have been in receipt of most special restrictions. In the case of the United States, exclusions for 1981 were decided on the basis of the President's discretionay authority and covered imports which were valued at $443 million from the five major beneficiaries of the scheme, Taiwan, Korea, Hong Kong, Brazil and Mexico. This came on top of $5.6 billion "competitive need exclusions" in 1980.

In the United States, an annual review takes place of articles eligible for GSP treatment. Improvements in the scheme have been continuous and seem less open to criticism as they are implemented after full consultation, including public hearings.

The developing countries themselves have always disliked the unilateral and non-binding character of the GSP. They claim that the possibility of arbitrary withdrawal of GSP benefits by any nation greatly increases the risk to investment for export production. They would like the GSP to be given a more permanent character and the details to be agreed between both donors and beneficiaries.

H. The Cost of Protection

Moves for protection whether in the form of quotas for sensitive products of for "orderly marketing" come from producers rather than consumers. The recent change in the GSP system to allow the EEC to effect controls on individual countries rather than on a global basis are, however well intentioned, seen by the NICs as moves to discriminate against them.

We are now witnessing attempts to devise further multilateral product agreements in response to the pressures of recession and unemployment in steel, shipbuilding, chemicals and certain electronic spheres of industry. A proliferation of such controls would be counter productive. Even if these were introduced on a short term basis, such temporary and simple agreements to manage trade can all too quickly move into permanent restrictions and infinitely more complicated methods of administration. The multi-fibres agreement first brought in during the 1960s was designated as being temporary to facilitate a gradual adjustment to accommodate the imports from developing countries. The agreement is now very far from being temporary and has become increasingly complicated with over 100 sub-categories. Further what originally gave restricted but secure access to the developing countries has now been obscured by 'a trigger' clause which can be activated in favour of threatened interests.

If further discrimination on a multi-product basis takes place against the NICs, we believe that this will have adverse effects upon the European Community itself. Firstly, the likely cost of protectionist measures which substantially affect NIC earnings will lead to a reduction in their discretionary imports from those industrialised countries effecting controls. Secondly, it will cause the NICs to direct their export efforts increasingly to Third World markets. Both these measures will cause adjustment problems for the industrialised countries concerned.

If the EEC becomes too protectionist in its relations with the NICs, there will be a negative spin-off for its trading prospects with second tier NICs. China is one example. That country will certainly expect to organise counter purchase agreements and accept high technology products in return for labour intensive manufacture such as garments.

A further point is that the NICs, particularly Brazil and Mexico, have based heavy foreign borrowing on the assumption that a rapid growth in manufacturing will permit repayments to be made. Indeed, both the World Bank and GAT have repeatedly warned of the likely effect of growing protectionism on the already precarious structure of international commercial indebtedness.

Too often one hears the argument that safeguards have to be implemented vis a vis the NICs because there is no reciprocity. But as we have seen, this has not prevented the EEC from restricting imports from Hong Kong and Singapore which allow entirely free access to their markets for EEC products.

The European Community must avoid the trap of adopting the policy of free trade when we are strong and protectionism when we are weak. Faced with increasing unemployment and declining production, there is a clear national appeal in the argument that Government should help protect existing traditional labour intensive industries. To do so, however, is to risk neglecting industrial restructuring, the education of skills needed to support this and sufficient investment in research and development and new machinery.

Nonetheless it is imperative that those countries which are approaching the status of fully industrialised countries must be prepared to accept the obligations of the AICs albeit progressively. This means that on a planned and agreed basis they must relinquish their privileges under the GSP and other schemes. It is also imperative if the bigger NICs with substantial home markets are to continue to receive favourable trading and financial treatment from the AICs that they demonstrate their willingness to practice reciprocity.

Motion for a Resolution (Doc. 1-557/83)
tabled by Mr Pesmazoglou
pursuant to Rule 47 of the Rules of Procedure
on the economic importance of the so called 'newly industrialised countries'

The European Parliament,

A. Recognising the economic importance of the so-called "newly industrialised countries",

B. Recognising the efforts of the Commission and of many states to establish a desirable equilibrium between the legitimate interests of the newly industrialised countries and the necessities deriving from the difficulties of the EEC Member States but conscious of their insufficient results,

C. Conscious that the newly industrialised countries play a major part in the production of many highly sophisticated modern products including electronics,

D. Wishing to put an end to unfair commercial policy practice with any country, newly industrialised or not,

E. Convinced that it is necessary both for these countries and the Community to take into consideration the technological and financial advantages of the newly industrialised countries in a changing world;

F. Wishing to cooperate with the newly industrialised countries in finding solutions to the world economic crisis;

1. Recognises the high level of industrial performance reached under special conditions by the newly industrialised countries, particularly in East Asia;

2. Considers however that this high level of development makes it difficult to consider the newly industrialised countries on the same basis as the developing ones;

3. Considers therefore that it is necessary to give a full, complete and precise definition of the so-called newly industrialised countries;

4. Considers that any system of trade economic regulation must be based on the principle of reciprocity and equality between EEC and the newly industrialised countries;

5. Requests the competent committee of the European Parliament to report on trade and economic relations between EEC and the newly industrialised countries, particularly in East Asia and on the possible ways to develop them in their common interest;

6. Calls on its President to forward this resolution to Council, Commission and the Member States.