

EUROPEAN PARLIAMENT

1999



2004

Session document

FINAL
A5-0029/2001

29 January 2001

REPORT

on the proposal for a Council decision concerning the conclusion of the Protocol on the extension of the Cooperation Agreement between the European Community and Brunei-Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam member countries of the Association of South-East Asian Nations, to Cambodia
(COM(2000) 423 – C5-0443/2000 – 2000/0172(CNS))

Committee on Industry, External Trade, Research and Energy

Rapporteur: Michel Hansenne

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

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PROCEDURAL PAGE

By letter of 1 September 2000 Council consulted Parliament, pursuant to Article 300(3), first subparagraph of the EC-Treaty, on the proposal for a Council decision concerning the conclusion of the Protocol on the extension of the Cooperation Agreement between the European Community and Brunei-Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam member countries of the Association of South-East Asian Nations, to Cambodia (COM(2000) 423 - 2000/0172(CNS)).

At the sitting of 8 September 2000 the President of Parliament announced that she had referred this proposal to the Committee on Industry, External Trade, Research and Energy as the committee responsible and to the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, the Committee on Budgets and the Committee on Development and Cooperation for their opinions (C5-0443/00).

The Committee on Industry, External Trade, Research and Energy appointed Michel Hansenne rapporteur at its meeting of 19 September 2000.

The committee considered the Commission proposal and draft report at its meetings of 23 November 2000 and 24 January 2001.

At the last meeting it adopted the draft legislative resolution unanimously.

The following were present for the vote: Carlos Westendorp y Cabeza, chairman; Renato Brunetta, Nuala Ahern and Peter Michael Mombaur, vice-chairmen; Michel Hansenne, rapporteur; Ward Beysen (for Willy C.E.H. De Clercq), Guido Bodrato, Yves Butel, Massimo Carraro, Gérard Caudron, Giles Bryan Chichester, Nicholas Clegg, Claude J.-M.J. Desama, Harlem Désir, Garrelt Duin (for Glyn Ford pursuant to Rule 153(2)), Concepció Ferrer, Christos Folias, Per Gahrton (for Yves Piétrasanta), Norbert Glante, Malcolm Harbour (for Werner Langen), Roger Helmer, Philippe A.R. Herzog, Hans Karlsson, Wolfgang Kreissl-Dörfler (for Elena Valenciano Martínez-Orozco pursuant to Rule 153(2)), Rolf Linkohr, Eryl Margaret McNally, Marjo Tuulevi Matikainen-Kallström, Angelika Niebler, Reino Kalervo Paasilinna, Elly Plooi-j-van Gorsel, John Purvis, Godelieve Quisthoudt-Rowohl, Imelda Mary Read, Mechtild Rothe, Christian Foldberg Rovsing, Paul Rübig, Jacques Santer (for Dominique Vlasto), Umberto Scapagnini, Ilka Schröder, Konrad K. Schwaiger, Esko Olavi Seppänen, Astrid Thors, Claude Turmes (for Nelly Maes), Jaime Valdivielso de Cué, W.G. van Velzen, Alejo Vidal-Quadras Roca, Anders Wijkman.

The Committee on Development and Cooperation decided on 12 September 2000, the Committee on Budgets decided on 14 September 2000 and the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy decided on 7 November 2000 not to deliver an opinion.

The report was tabled on 29 January 2001.

DRAFT LEGISLATIVE RESOLUTION

European Parliament legislative resolution on the proposal for a Council decision concerning the conclusion of the Protocol on the extension of the Cooperation Agreement between the European Community and Brunei-Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam member countries of the Association of South-East Asian Nations, to Cambodia (COM(2000) 423 – C5-0443/2000 – 2000/0172(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal for a Council Decision, (COM(2000) 423)¹;
 - having regard to the draft protocol on the extension of the Cooperation Agreement between the European Community and Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam member countries of the Association of South-East Asian Nations, to Cambodia;
 - having regard to Articles 133 and 181 and 300(2), first subparagraph of the EC Treaty ;
 - having been consulted by the Council pursuant to Article 300(3), first subparagraph of the EC Treaty (C5-0443/2000);
 - having regard to Rule 67 and 97 (7) of its Rules of Procedure;
 - having regard to the report of the Committee on Industry, External Trade, Research and Energy (A5-0029/2001);
1. Approves the conclusion of the Protocol;
 2. Instructs its President to forward its position to the Council and Commission, and to the governments and parliaments of the Member States, Laos, and the other ASEAN member states;

¹ OJ C 337 28.11.2000, p. 167

EXPLANATORY STATEMENT

1. EU-ASEAN PARTNERSHIP

The Association of South East Asian Nations (ASEAN) includes all of the South East Asian countries since the accession of Cambodia in April 1999. Its Member Countries have a combined GDP of US\$838 billion. ASEAN is the fourth largest trading entity in the world with a population of 482 million people. However, there remain large economic, social and political disparities among ASEAN members.

In 1997, the EU was ASEAN's second largest export market and the third largest trading partner after Japan and the United States. EU exports to ASEAN were estimated at €45.7 billion in 1997 (3rd export market). EU imports from ASEAN were valued at €46 billion, demonstrating that EC-ASEAN trade was well balanced. The economic crisis has had a serious impact on this trend: in 1998, EC exports to ASEAN decreased by 40% producing a €21 bn deficit for Europe, a trend that continued during 1999. European investment was high in the region before the crisis and now seems once again to be on a rising trend.

Relations between the EU and ASEAN are based on a Co-operation Agreement (1980). The "New Dynamic" in EU-ASEAN relations was launched in February 1997 to open the path to greater co-operation. A Work programme was drawn up in May 2000.

This co-operation takes place in the framework of an even broader dialogue. The 3rd ASEM Summit (Asia-Europe meeting) between the European Union and ten countries of Asia (China, Korea, Japan and seven Asean countries) adopted on 21 October 2000 in Seoul, conclusions and a "framework of co-operation" defining the issues and the objectives of the co-operation for the next ten years in politics, economics, cultural and social affairs.

Together the EU and ASEAN make an important contribution to peace and stability in the Asia Pacific Region, in particular through membership of ASEAN Regional Forum, created in 1994 - the only security forum in Asia.

To foster trade and investment links between the EU and ASEAN, they are working on a number of projects. The EU supports a number of EC-ASEAN programmes dealing with trade (standards, IPR), sectoral co-operation (energy, aviation), business links, and education.

2. CAMBODIA

Cambodia has been through some radical developments during the last few years on the political level as well as on the economic and social level. It is to be hoped that these developments mark the start of a new era of peace.

Political overview

The signing of the Paris Peace Agreements in October 1991 launched Cambodia on a process of democratic reconstruction and transition to a market economy after almost thirty years of

conflict and civil war. This process came to a halt in July 1997 when First Prime Minister Prince Ranariddh was ousted after armed clashes between the two sides of the government coalition.

The national elections in July 1998 resulted in a coalition government between Cambodian People's Party led by Hun Sen, the actual Prime minister, and Funcinpec in late November 1998, based on a common political programme.

This development has enabled Cambodia since 1998 progressively to rejoin the international community, for example by joining ASEAN and returning to the United Nations. But there is a long way to go before Cambodia will be able to recover from the damage caused by 30 years of conflict.

The most damaging consequences of this long conflict have been:

- an administration still affected in parts by corruption
- an overabundant army that requires prompt and radical restructuring
- a shortage of executives, who were systematically eliminated in the past
- the trauma of a whole generation who have known nothing but conflict over the last 30 years
- a legal system to be reorganised.

The new government's most important reforms are targeting administration, judiciary, military and police, as well as economy, including the fight against corruption.

There is no lack of goodwill to make progress but the task ahead is immense.

Concerning human rights, Cambodia is co-operating with the authorities of the United Nations to make improvements; for example, the press is regaining a high degree of liberty. Nevertheless, Cambodia is still accused by human rights groups of violations including arbitrary arrests, a weak and corrupt legal system and the torture and mistreatment of prisoners.

The most delicate problem remains the question of trial for the genocide of the Cambodian population. The agreement with the UNO concerning the modalities of organisation of a "mixed" tribunal to judge the Khmers Rouges has to be translated into action and the criminals have to be charged. That is a difficult but necessary stage for the reconstruction of Cambodia and national reconciliation on which the government is now working.

Economic overview

The events of 1997 had important economic repercussions, causing GDP growth to fall from 7,4% to 1%, a decline in per capita income, a dramatic drop in tourism and investments and a significant drop in external aid. The presence of antipersonnel mines is also depriving Cambodia of thousands of hectares of cultivable land.

With a per capita GDP of USD 263 in 1998, Cambodia is one of the world's 20 poorest countries. Cambodia is heavily dependent on international assistance. External aid accounts for a large part of the national budget, which is characterised by very low tax revenue, half the average for low-income countries, and heavy defence spending (almost 51% in 1997).

Indications of economic upturn after the collapse are already evident, for example the growth of companies in the textiles and footwear sectors and the progressive recovery of the tourist industry. The Cambodian economy is gradually becoming more competitive with neighbours such as Vietnam.

The new government's most important task is to maintain a degree of macroeconomic stability. The reintegration of Cambodia into Asiatic and world trade is fundamental for its future.

Social overview

Five years ago, the government of Cambodia was still refusing to inscribe trade union rights into its industrial law. Since then, things have developed:

- trade unions are arising and are encouraged
- the government ratified recently the five basic conventions of the International Labour Organization and joined its programme against child labour.

3. CAMBODIA AND THE EUROPEAN UNION

Trade

EU imports from Cambodia totalled 177 million € in 1998. Main products were knitted clothing and woven clothing. The main importing countries were Germany, U.K. and France. Exports from the EU countries totalled 73 million € in 1998. Main products were electrical machinery, equipment and parts, pharmaceutical products and mechanical machinery. Main exporting countries were France, Germany and Austria.

Community Aid

Total aid from EU Member States and the Commission was close to USD 786 million, which represented 28.5% of total amounts for the period 1992-98. Since 1994, when the Community adopted the €67.1 million "*European Rehabilitation Programme for Cambodia*" (Programme Européen pour la Réhabilitation du Cambodge –PERC-), the focus of EC aid has been on rural development, primary education, institutional support and human rights. The health sector received a specific support. Several mine clearance projects have also received EC funding. Other, non-programmable humanitarian assistance has been through ECHO and NGO co-financing.

After the armed clashes of 5-6 July 1997 the Community had little option but to focus its strategy on gradually consolidating existing programmes. The successful outcome of the elections in 1998 as well as the discussions at the Donor's Conference in February 1999, have given a good basis for the development of European Community aid to Cambodia for the forthcoming years.

Bilateral agreements between the EC and Cambodia

In conformity with an approach that actively promotes access of Cambodian exports to third

markets and thereby accelerates and strengthens the national industrialisation process, the EC has recently initialled a "Textile Trade Agreement with the Royal Government of Cambodia". This agreement provides to Cambodia an unlimited access to the EU market for Cambodian textiles exports, until the end of the year 2002. Moreover, Cambodia is eligible to receive the benefit of the EC Preferential Rules of Origin for ASEAN members as it became a member of the regional grouping in April 1999.

The EC-Cambodia Co-operation Agreement, signed in April in 1997, has been ratified by the European Parliament and the Cambodian National Assembly, and entered into force on 1st of November 1999.

The integration of Cambodia into the EC-ASEAN Cooperation Agreement

Integrating Cambodia into the EC-ASEAN Cooperation Agreement should lead to the gradual inclusion of the country into EC-ASEAN regional economic programmes, which will in turn enable greater regional integration.

In addition to these economic aspects, the indications of goodwill on the political level but also on the economic and social level of Cambodia have to be consolidated and encouraged so that Cambodia can definitively leave behind its bloody past and ground its future firmly in democracy. The European Union has an important role to play here.

4. CONCLUSION

Your Rapporteur:

- noting with approval the improvements in social, economic and political conditions in Cambodia in the last few years and in particular since the election of a democratic Government in 1998,
- noting that it is essential, for this improvement to be consolidated and developed, for Cambodia to continue its integration into the regional and world trading system,
- noting that the proposed Protocol is only part of a continuing and wide-ranging programme through which the EU is working to improve its relations with ASEAN as a whole and to encourage further social, economic and political development in Cambodia in particular,

concludes that the Protocol should be approved as set out in the draft legislative resolution above.