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ASEAN as Supplier of Raw Materials

by Dr Dieter Lorenz-Meyer, Hamburg *

This article offers an interesting survey of the ASEAN countries' role as raw material suppliers to Western Germany and the EC, its history, present performance and future prospects. Some of this paper's contents are very informative and surprising indeed.

Ever since the Portuguese — the first Europeans to sail the Eastern seas — set their sights on the "Treasure Islands" of South East Asia, the spices of the region have been of prime importance to the markets of Europe. This interest in spices has also been among the reasons for the Dutch and the English, who followed the adventurous Portuguese, to settle in this region and eventually build their colonial empires.

Still today, more than two thirds of all pepper imported into Germany originate from Indonesia and Malaysia. But other raw materials have long overtaken the spice trade in the volume of commercial importance. So the amount of DM 19 mn — the total worth of German pepper purchases during 1973 from ASEAN countries — is comparatively dwarfed by such items on Germany's shopping list as timber, palm oil and copra, rubber and tin (see Table 1).

Surprising Developments in Timber Trade

Looking at Table 1, the most surprising information for anybody outside the timber trade is the fact that nearly two thirds of Germany's import in tropical sawn timber originate from South East

Asia. As Europe has traditionally drawn its timber supplies from Africa this seems hard to believe. After all, timber is a comparatively low-priced, but bulky and heavy commodity. Therefore, freight charges play a dominant rôle in this trade, and it is obvious that the production areas in West Africa have a distinct advantage over the suppliers in the Far East, particularly after the closure of the Suez-Canal. Nevertheless, the rapidly developing timber industry of South East Asia has grasped its chance to gain a foothold in the European markets even against the keen competition from Africa.

Asian-African Competition

As a matter of fact, in the import of logs, the African countries still maintain their dominant position, supplying in 1973 the lion's share of DM 409.1 mn out of total German imports of DM 520.7 mn. But it is interesting to note that even in this field the ASEAN countries are rapidly gaining a greater share of the market — tonnage and value-wise — whereas the tonnage of the leading African suppliers shows a decreasing tendency (see Table 2).

In contrast to the round log sector, however, the ASEAN countries have already overtaken the traditional African suppliers in sawn timber. Malaysia has won an undisputed first place in this trade, supplying over half of Germany's total imports, both tonnage-wise and value-wise. The dominating species are Meranti and Ramin which have gained wide acceptance in the building as well as the furniture industries.

It is interesting to note that in spite of continued efforts on the part of a number of West African Governments to discourage the export of logs in favour of sawn timber exports, total German imports of sawn timber from Africa in 1973 were

Table 1
Volume of German Imports in 1973
from ASEAN Countries for Selected Commodities
(in DM mn)

	Pepper	Tropical Sawn Timber	Palm oil (crude)	Copra	Rubber	Tin
Indonesia	10.0	3.2	22.1	7.2	81.6	48.0
Malaysia	8.5	110.4	34.7		177.7	29.7
Philippines		3.2		145.8		
Singapore	0.5	25.6			4.0	0.3
Thailand		1.2			4.7	54.9
Total ASEAN	19.0	143.6	56.8	153.0	268.0	132.9
Total Imports	28.5	221.3	80.2	158.6	327.8	182.0
Market-Share of ASEAN	67 p.c.	65 p.c.	71 p.c.	96 p.c.	82 p.c.	73 p.c.

Source: Official German Import Statistics.

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only valued at DM 45 mn as compared to the DM 143.6 mn imported from ASEAN countries (see Table 1).

A further hint for the shifting of importance towards Asia as a supplier of timber and timber products can be taken from the statistics of German plywood imports. Within the five year period from 1969 to 1973 the volume of imports from the whole of Asia including Japan increased from a little over 2,000 cbm to nearly 35,000 cbm, and the performance of the ASEAN countries in this context is still more surprising.

With this sort of a development, the growth rates can hardly be calculated percentagewise in meaningful figures. However, it seems certain that plywood from South East Asia has succeeded in securing a share of the German and European markets and with the timber industry being steadily promoted, particularly in a country with such vast resources as Indonesia, it can safely be assumed that this share will continue to grow.

Accelerated Growth in Palm Oil Trade

Contrary to the rather recent emergence of South East Asia as an important supplier of timber, this region has always been rich in oilseeds and oil. Actually, the image of this part of the world has been coined by the coconut palm, gently swaying over sandy beaches. But few people realize how important coconut and oilpalm are for the nutrition of mankind.

The entire palm sector, comprising copra and coconut oil, palm kernels and palm kernel oil, and palm oil, contributes around 30 p. c. of actual world net exports of edible oils and fats. After a decline from approximately 3 mn metric tons (oil basis) in 1972, the palm sector provided an estimated 2.8 mn metric tons in 1973 to total world net exports of 10.7 mn metric tons, the balance being made up of 6.3 mn metric tons for all other vegetable oils, and approximately 1.6 mn metric tons for edible animal and marine oils and fats.

A detailed breakdown of net export availabilities — as distinct from actual net exports — for the current and the preceding two seasons (October to September) is appended as Table 3 and shows the importance of the palm sector as described above as well as the fact that palm oil today is the largest single source of edible oil after soybeans, having overtaken copra after a spectacular rise during the last few years.

This accelerated growth in the palm oil trade is mainly due to developments in Malaysia, where large estate groups replanted oilpalm on land previously covered with old, low-yielding rubber

Table 2
German Imports of Round Logs (Deciduous Timber)

	1972		1973	
	1,000 t	DM mn	1,000 t	DM mn
Grand Total	1,252	422.2	1,219	520.7
Total Africa	1,168	346.0	1,037	409.1
Ivory Coast	509	153.2	462	190.9
Ghana	277	70.9	191	73.3
Kongo, Dem. Rep.	141	48.6	117	46.2
Gabun	100	32.1	91	32.4
Total America	54	57.1	77	62.1
Total Asia	30	18.9	105	49.4
Indonesia	10	2.2	55	19.1
Malaysia	2	0.5	31	12.4
Philippines	3	0.7	4	1.5
Singapore	—	—	2	0.5
Thailand	0.4	0.7	0.4	0.7

Source: Annual Report of German Timber Importers Association (VDH).

trees. This switch was prompted by low rubber prices in the face of stiff competition from synthetic rubber against the growing demand for edible oils for an ever increasing world population. Between 1961 and 1971, the area under oilpalm in Malaysia increased more than sixfold, and various Government agencies continue to promote oilpalm as part of the Government's efforts to create more rural employment opportunities. As a consequence, Malaysia has been the world's leading exporter of palm oil since 1966 and it is projected that by 1977 Malaysia will emerge as the second largest supplier after the US, in the overall world market for fats and oils, with an anticipated production of 1.8 mn metric tons.

While Germany's total gross imports of palm oil have remained static around the 150,000 metric tons mark for the period 1971–73, the EEC as a whole is the largest importer of palm oil in the world market — taking over 50 p. c. of world net imports — and has increased net imports during 1973 by around 10 p. c. over 1972 to approximately 640,000 metric tons. In spite of a protective EEC tariff favouring the associated countries in Africa, the bulk of these supplies originates from the ASEAN countries, and also in the future the EEC will have to rely heavily on Malaysian and Indonesian palm oil.

Important Role of Copra

Table 3 also shows that despite the spectacular development in palm oil, copra is by no means unimportant in the world balance of edible oils and fats. Traditionally, the Philippines have been the world's largest supplier of copra. But with frequent damages by typhoons, floods, and other natural disasters as well as the mysterious "cadang-cadang" disease threatening to destroy

the vast coconut plantations, the importance of this industry seemed bound to decline. However, recent developments indicate that the industry may hold even greater promise than was expected only a few years ago.

As copra prices hit record levels last year, the coconut industry in the Philippines became the country's largest foreign exchange earner, bringing in nearly US\$ 400 mn and relegating the previous No. 1, logs and timber, with total receipts of US\$ 300 mn to second place. If current record prices can be maintained, the authorities expect foreign exchange earnings this year to approach the US\$ 1,000 mn mark.

But even if prices should come down, the future looks promising in the light of recent breakthroughs in coconut research which have traced the dreaded "cadang-cadang" disease to a virus transmitted by flying insects. This has greatly enhanced the chances of controlling this tree-killing pest in the future. At the same time, it has been established that by proper manuring the yield per hectare can be substantially increased. With more than 2 mn hectares of coconut palms planted, there is therefore ample scope to increase production and income for the great number of people depending on the coconut industry. In the Philippines alone this number is estimated at around 12 mn people which is roughly one third of the total population.

Technical Advances Promoting Rubber Industry

This social aspect, which is of prime political importance in the still largely agro-based economies of the ASEAN nations, is also prevalent in the rubber industry. It is therefore understandable that the ASEAN countries, which among them produce nearly 82 p. c. of the world's total natural rubber, have made united representations in Japan against a further expansion of the Japanese synthetic rubber industry which is the No. 2 free world producer after the United States. It remains to be seen how the present oil crisis affects the competitive situation between natural and synthetic rubber.

On the one hand, there is no doubt that the high price for naphtha and other feed stock for synthetic rubber production will alleviate the price pressure which excessive synthetic rubber production capacity has been exerting on the natural rubber prices for years. On the other hand, the scarcity and dearth of oil will have its repercussions on motoring and the automotive industry, which is by far the most important user of rubber. At the same time, it cannot be overlooked that natural rubber and synthetic rubber both have

their merits and disadvantages technologically, and in most applications substitution today is no longer a question of mere price relationship.

As the ASEAN countries according to the international rubber study group statistics produce more than 2.8 mn tons out of the 1973 estimated total of 3.45 mn metric tons of natural rubber, it comes as no surprise that 82 p. c. of the German imports originate from South East Asia (Table 1). A development which deserves special attention in the natural rubber trade is the advent of technically specified natural rubber which was first

Table 3
Oilseeds, Oils & Fats (for Food)
World Estimated Net Export Availabilities
(in 1,000 tons)

	73/74	72/73	71/72
Copra and coconut oil	1,159	1,360	1,505
Palm kernels and oil	318	330	340
Palm oil	1,374	1,210	1,085
Total, palm	2,851	2,900	2,930
Soybeans and oil	4,327	3,190	2,950
Cottonseed and oil	407	385	345
Groundnuts and oil	507	730	690
Sunflowerseed and oil	1,048	770	770
Rapeseed and oil	730	1,020	1,055
Sesameseed, as oil	107	130	110
Olive oil ¹	270	370	325
Total, liquid veget.	7,398	6,585	6,245
Butter, fat content	661	710	700
Lard	432	420	450
Total, edible animal	1,093	1,130	1,150
Fish oils	493	490	775
Whale oil (production)	44	47	60
Total, edible marine	537	537	835
Grand Total	11,877	11,162	11,160

Source: Oil World Semi-Annual, May 1974.

¹ Including residue oil.

promoted by Malaysia under its SMR scheme. Meanwhile, other rubber producing countries have followed suit and it is estimated that in 1972 over 700,000 metric tons of technically specified natural rubber have been exported from all producing countries.

This represents a 1,000-fold increase from the 700 tons first exported in 1965. The dramatic change in the marketing of natural rubber which this trend towards the technically specified types of natural rubber has brought about may be compared with the switch-over from "native" rubber collected in the jungle from wild trees to the plantation product in the first decades of this century. It may be recalled that between 1906 and 1926 the share of the plantation rubber jumped from 0.8 p. c. to 93.9 p. c. In the light of further technological advances and the ever increasing stringency of

demands on the quality of raw materials, it is highly probable that also in the field of natural rubber the trend will continue to favour the technically specified types.

Supplies of High Grade Tin

The only mineral raw material to be discussed in this paper is tin. Here, the existence of the South East Asian tin belt which stretches from Burma through Southern Thailand and Malaysia down to the Indonesian tin islands of Bangka and Belitung makes the region the world's largest producer of virgin tin. World mine production in 1973 amounted to 186,800 metric tons out of which ASEAN countries contributed over 60 p. c., i. e.

Malaysia	72,260 mt
Indonesia	22,492 mt
Thailand	20,557 mt

As Table 1 shows, German imports reflect a higher percentage than could be expected on the basis of production data. This is due to the preference of the continental consumers for high grade tin, particularly from Indonesia and Thailand, whereas the concentrates from Bolivia, the world's No. 2 producer, have previously been processed in Great Britain to a lower tin content (99.75 p. c.) and found markets elsewhere.

Tin is the only one among the commodities discussed which is governed by an international agreement. The strong upsurge in raw material prices following the oil crisis has carried tin prices far beyond the price ranges of the International Tin Council within which the market should have been stabilized by buffer stock operations. Now the buffer stock is exhausted and negotiations within the Council are in progress to increase the price ranges to more realistic levels. But just which price level might be termed realistic is the bone of contention between producers and consumers. In the long-term interest of the tin industry it is to be hoped that a satisfactory solution can be found soon, which safeguards necessary supplies to the consumers without stimulating substitution by runaway prices.

The foregoing discussion has shown that ASEAN countries are a vital partner for Germany and the EEC in a wide spectrum of different commodities. In the marketing of these products, Hamburg and its experienced trading community have a lot to offer. The long established and friendly relations between this great port and trading center and all South East Asian nations will ensure the continued development of trade to the benefit of industry and people on both sides.

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NEW PUBLICATION

Klaus Bolz und Peter Plötz

ERFAHRUNGEN AUS DER OST-WEST-KOOPERATION

(Experiences gained from East-West Cooperation)

The present study offers the first detailed analysis of cooperation experiences, which West German firms made with enterprises in COMECON-countries (Bulgaria, German Democratic Republic, CSSR, Poland, Roumania, USSR, Hungary). On the basis of abundant empirical material, that to a large extent has been obtained through direct questioning of participating firms, type and extent of cooperation, size of firms and their motives, the realisation of first contacts, the course of negotiations, the legal framework, and the special formulation of co-operation agreements are investigated. (In German language).

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