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YEARENDER-ASEAN
ASEAN SET TO OVERCOME CRISIS

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KUALA LUMPUR, Dec 28 (Bernama) -- Members of Asean, a grouping of nine East Asian economies, may adopt a different approach in handling the various problems which have gripped the region as a result of economic turmoil, but they are undaunted in their spirit and struggle.

Sceptics may say that so far perhaps Asean deserves credit for its concerted efforts in trying to overcome the financial and economic crisis brought upon them by rogue currency speculators.

With the new year ahead, they have agreed to adopt various proposals aimed at restoring the region's competitiveness as an investment destination and in the process spur economic activity.

The aggressive step taken is a series of "Bold Measures", which the Asean leaders at the Sixth Asean Summit in Hanoi recently agreed and believed would hasten a faster economic recovery.

The "bold measures" among others included the implementation of the Asean Free Trade Area (AFTA) earlier by one year to 2002 from 2003.

The deal applies to six original signatories -- Brunei, Malaysia, the Philippines, Singapore, Thailand and Indonesia -- which agreed to achieve a minimum of 90 percent of their total tariff line with tariff 0-5 percent by the year 2000. This would account for 90 percent of intra-Asean trade.

Vietnam, Laos and Myanmar -- new Asean member -- have agreed to accelerate the Afta implementation but at a moderate pace.

Asean members also agreed to accelerate the transfer of more products into the inclusion list of tariff lines subject to AFTA treatment.

The "bold measures" also spelt out a short-term measure to enhance Asean investment climate, which, each Asean country has also agreed to extent additional special investment incentives on applications to invest in the Asean manufacturing sector received between Jan 1, 1999 and Dec 31, 2000.

The incentives included at least a three-year corporate income tax exemption or a minimum 30 percent corporate investment tax allowance, allowing 100 percent foreign ownership, duty free imports of capital goods, domestic market access and a minimum industrial leasehold of 30 years.

Malaysia itself, allows 100 percent foreign equity ownership in the manufacturing sector except seven specific activities/products. It imposes no export conditions for all new investments, expansion and diversifications.

National treatment would be fully available within six months after the date of signing of the agreement for Asean investors in the manufacturing sector, subject to certain conditions.

These would progressively be phased out by the year 2003 instead of 2010 as initially agreed.

Asean member countries agreed to waive the 30 percent national equity requirements under the Asean Industrial Cooperation (AICO) scheme during the period of 1999-2000, in an effort to provide greater scope for industrial cooperation in the region.

When asked if the measures adopted at the Asean Sixth Summit were adequate to pull the region out of its economic woes, Prime Minister Datuk Seri Dr Mahathir Mohamad said he did not know whether they were adequate or not but so far a lot of progress had been made.

"Certainly there are new ideas which have been proposed and we think that from now on it's going to be a very busy time for Asean," he added.

For Prime Minister Phan Van Khai of Vietnam who was quoted as saying at the closing of the Sixth Asean Summit: "We have demonstrated the determination to strengthen unity on the basis of traditional 'unity in diversity' and turn it into a driving force to elevate Asean's cooperation to a higher plane."

"With this determination...we will build upon our community spirit based on the inherent identity and values of each member and the whole region as well as the principles and ways which have helped to develop Asean through the years," said Khai.

On another development, Asean leader also agreed to encourage the wider use of Asean currency for intra-Asean trade settlement in an effort to overcome the region financial crisis and accelerate economic recovery as proposed by Malaysia.

The move is to reduce the dependency on US dollar as most Asean currencies had depreciated against the greenback.

President of Malaysian Investors' Association Dr PHS Lim said the proposed Asean common currency is "idealistic" and idea that should be considered as it could provide better financial strength against manipulators.

"But there is a lot to be done before the implementation (of the common currency)," he said, adding that it may take a long time to materialise.

He also referred the Asean common currency as a first step in the right direction like the European Union (EU)'s Euro currency.

Asean, which was battered by the Asian financial crisis, remained concerned over declining foreign direct investment, which it believed required quick action.

FDI was said to have declined some 30 percent since the Asia financial crisis erupted in July 1997. Following the drop in the investment flow to Asean, Asean Economic Ministers (AEM) agreed at its meeting in Manila to hasten plans to remove barriers to trade.

They have set a goal of completely eliminating tariffs for many products traded in Asean by the year 2003 instead of the previous target of only bringing tariff below five percent by that year.

Following the move, average tariff will drop from 5.37 percent in 1998 to 2.68 percent in 2003.

AEM has also approved the Framework Agreement on Asean Free Trade Area (AFTA) and established a ministerial-level Asean Investment Area (AIA) council in order to facilitate investment and to boost attractiveness of Asean as an investment hub.

The council would oversee the implementation of the AIA, which would collectively provide Asean and individual member countries greater benefits and synergy in attracting investment.

The AIA would remove barriers to investment from Asean countries by the year 2010 and by 2020 for investment from non-Asean economies. These would put Asean back on track in achieving robust economic growth and stability.

Asean, according to Dr Lim, has progress a lot in terms of economic policies and ideas, however, it is still lacking in the implementation.

"I think Asean has been successful in terms of the economic ideas," he said.

The reasons for slow implementation may be attributed to red tape, said Dr Lim.

Asean comprises Malaysia, Indonesia, the Philippines, Singapore, Thailand, Brunei, Laos, Myanmar and Vietnam.--BERNAMA

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