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Asean-Economy

ASEAN TO SHIFT INTO HIGH GEAR TO KICK-START ECONOMY

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HANOI, Dec 14 (Bernama) -- Asean leaders are expected to show their resolve to hasten regional economic recovery by unveiling concrete long and short-term measures when their summit starts here tomorrow.

The nine-member regional grouping is mired in its worst economic crisis in its 31-year-old history, some grappling with recession, soaring prices and millions jobless.

Concerned over the economic fall-out, the leaders would take definitive steps to allay the fears of many that Asean would be lag behind in the global marketplace if it does not shift into high gear to reverse the situation.

To resuscitate their economies, the leaders are expected to stamp their approval on plans to expedite the Asean Free Trade Area (Afta) to dismantle tariffs and address declining Foreign Direct Investments (FDI) into the region.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who had long propagated that unity is a vital antidote to overcome the region's economic woes, is scheduled to arrive here today for the two-day summit.

Asean foreign and economic ministers, who met jointly yesterday, said in a statement that the Hanoi Declaration, to be issued at the end of the summit, would demonstrate Asean's political will and unrelenting efforts to strengthen its unity and cooperation to bring about an early economic recovery.

Also, the leaders are to give the green light to the Asean Statement on Bold Measures, setting out ways and means to further improve Asean's trade and investment environment as well as enhance intra-regional economic integration among members and with non-Asean countries.

Diplomats in Hanoi recognise the importance for Asean to regain its position as among the leading attractive investment destinations to rebuild the economy affected by the turmoil, precipitated by the currency crisis in July last year.

FDI inflows into Asean declined by 39.7 percent to US\$19 billion (RM3.80=US\$1.00) last year compared with US\$31.4 billion in 1996.

They said Asean was planning to offer more incentives such as tax waivers and special equity structure to potential investors in efforts to restore their confidence in the region.

To enhance its attractiveness, the grouping is expected to improve on the Asean Investment Area (AIA) and the Asean Industrial Cooperation schemes.

With regards to trade, all is not smooth sailing with differing views emerging on how best to approach the proposed acceleration of the Afta process at the preparatory meetings in the run-up to the summit.

The ministers are expected to reconvene tonight to iron out the differences with Malaysia to be represented by International Trade and Industry Minister Datuk Seri Rafidah Aziz, who could not make it to the two earlier meetings, due to prior commitments in Kuala Lumpur.

The implementing mechanism for Afta is the Common Effective Preferential Tariff (CEPT) scheme, which aims to eliminate tariffs of products traded in the region by the year 2003 for most Asean members.

An Asean diplomat contended that accelerating the time-table of its implementation was one thing, but what was more important is the number of products that were placed in the inclusion list for tariff reduction.

Asean still has 836 tariff lines placed under the General Exception (GE) list which are excluded from the CEPT concessions.

Brunei topped the list with 239 followed by Vietnam (131) and Singapore (120). Malaysia has 63 tariff lines under the GE list.

The products were excluded for a number of reasons such as protection to the national security, health, social and moral preservation as well as the protection of animal and plant life.

"But why should you put things like tyres on the GE list?" asked the diplomat, adding that there should be a common list so that no one would be disadvantaged with the acceleration of Afta.

Another important document to be released at the end of the summit -- the Hanoi Plan of Action to Implement Asean Vision 2020 -- will spell out concrete and feasible programmes to speed up economic recovery, strengthen intra-Asean trade integration, promote sub-regional development and human resources.

A diplomat said: "For Asean to recover, it needs to be a large integrated market rather than a small fragmented one."

The action plan would also cover the mitigation of the social impact of the crisis and pay attention to the environment issue, he said.

Financial aid packages for Asean would certainly come up during the Asean leaders' meeting with Japanese Prime Minister Keizo Obuchi, one of the three Asean dialogue partners to be present in Hanoi.

He is expected to unveil at the summit a yen credit package worth about one trillion yen (about US\$8.3 billion) for troubled Asian countries, which would be welcomed in helping to raise liquidity.

He would also touch on the US\$30 billion Japanese package initiated by Finance Minister Kiichi Miyazawa to assist recovery efforts for Asia.

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