

Asean must review car sector strategy: Dr M

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By KAMARUL YUNUS

WHILE having agreed to defer by two years the opening up of its automotive sector, the Association of South-East Asian Nations (Asean) still needs to review its entire strategy with regards to providing protection for carmakers in member countries, says Prime Minister Datuk Seri Dr Mahathir Mohamad.

He said major carmakers from outside the region have started to relocate their plants to Asean member countries to take advantage of lower taxes under the Asean Free Trade Area (Afta).

And this pursuit of freer trade may eventually backfire on the grouping, as its carmakers, like other manufacturers, will increasingly be pitted against the world's giants, Dr Mahathir said.

Malaysia had on May 1 secured agreement from members at the Sixth Asean Economic Ministers retreat in Yangon to defer the liberalisation of the automotive sector.

Perusahaan Otomobil Nasional (Proton), the most successful homegrown carmaker in Asean, may have won some time but it is still

COMMON EFFECTIVE PREFERENTIAL TARIFF REDUCTION FOR VEHICLES

	1996	1997	1998	1999	2000	2001	2002	2003
Brunei	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Indonesia	5.81	5.70	4.72	4.43	3.59	3.41	2.80	2.13
Malaysia	8.90	8.15	7.33	6.45	5.57	4.13	3.38	2.63
Philippines	5.38	5.13	4.78	4.39	3.98	3.83	3.47	3.32
Singapore	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Thailand	13.56	13.56	11.33	11.33	8.58	8.58	6.31	4.10
Vietnam	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31
Asean	6.50	6.29	5.42	5.15	4.15	3.78	2.96	2.16

Source: Association of South-East Asian Nations Secretariat

likely to be among the most affected when the Afta is fully implemented.

Proton will have to compete with major foreign car companies and will lose out because the Afta strategy favours the foreigners, Dr Mahathir said.

"We are not assembling cars for other companies, we are producing our own cars...we have a lot of disadvantages, (for example) we have to buy a lot for technologies and components, and naturally our cost is higher.

"On the converse, other companies just put together

their products which have been designed and tested elsewhere, which means their costs are much lower than ours. We will not be able to compete against them," he said during a dialogue at the two-day Europe-Asia Business Summit 2000 in Kuala Lumpur yesterday.

"Asean must relook the Afta strategy. We can delay a little bit, especially for the automotive industry, as we see other carmakers moving into Asean member countries and setting up plants, then calling the products that of these countries.

"This enables them to enjoy the privilege of exporting to other Asean countries, and paying little tax."

Asean members should discuss possible solutions to the problem, he said.

"We should see whether there can be some kind of division of labour where some members produce some things and other countries other things," he added.

Asean has decided to defer till 2005 the transfer, originally scheduled for 2003, of completely built-up and completely knocked-down motor vehicles on to the In-

clusion List from the Temporary Exclusion List.

Senior Asean officials are currently working out how to structure the deferment, the scheme for which will be presented at the 32nd Asean Economic Ministers meeting in Chiang Mai, Thailand, in October.

The Afta was established following the signing of a framework agreement on enhancing Asean economic cooperation by the grouping's heads of government and state in Singapore on January 28 1992.

Implementation began on January 1 the following year, originally with the objective of achieving free trade area status in 15 years, that is by 2008, when tariffs would have been reduced to between zero and 5 per cent.

However, at its third informal summit in Singapore in September last year, Asean agreed that its original members, comprising Indonesia, Thailand, Singapore, the Philippines, Brunei and Malaysia would be given until 2010 to accelerate removal of import duties on all products. New members Laos, Myanmar, Vietnam and Cambodia will meanwhile have until 2015.