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Rethinking Afta, after the crisis

THE Association of South-East Asian Nations (Asean) must give serious thought to Malaysia's call for a re-look into the grouping's strategy to open up its automotive industry to outside competition. In 1992, when the Asean Summit in Singapore agreed to Thailand's Asean Free Trade Area (Afta) initiative to liberalise the region's markets, the global environment was quite different. Globalisation was then still a concept that was meant to benefit developing as well as developed nations, or so the Asean leaders thought. The economies within the grouping were still dynamic and the currency speculators were not yet looking at the baht, ringgit or rupiah, only at the pound and lira.

Little has turned out the way the Singapore Summit had expected. The entire Afta initiative, and not just strategies referring to the region's car industry, therefore, needs to be reviewed in view of these developments which have altered Asean's prospects. The South-East Asian economic crisis alone would be a compelling enough reason to review at least some of the policies and strategies formulated before the crisis. Prime Minister Datuk Seri Dr Mahathir Mohamad this week singled out the automotive industry, which had been scheduled for liberalisation in 2003 before Malaysia's successful call for a two-year extension, because Malaysia's own national car manufacturer, Perusahaan Otomobii Nasional (Proton), will be crushed by the competition. If the economic crisis had not been so severe, perhaps Proton would have been in a more solid position to take on the big bovs from the West and the East. The crisis forced it to abandon the development of a Proton City, cost it market share in overseas markets, and left it in a considerably weaker financial position to compete.

With the exception of Brunei, all the economies in Asean were badly hit by the crisis, some worse than the others. Malaysia and Singapore are well on the road to recovery and Thailand is not doinp too badly but their economies are nowhere near the state they were a decade ago. A lot of economic reconstruction needs to be done, quite a bit of reforms , and major corporations which were doing very well before 1997 are still restructuring their debts to consolidate their positions. Indonesia, the most populous country in the region and the worst affected during the crisis, will need even more time to get back on its feet. Fundamental issues such as poverty and unemployment have returned to the fore, making it quite impossible for governments to force themselves to focus on relatively more sophisticated matters pertaining to market opening, globalisation and liberalisation.

If it takes up Malaysia's suggestion for a review, Asean need not apologise for having to do so. Any drastic amendment to Afta, such as a further delay in the opening up of the automotive industry, can be justified. The EU, which involves the opening up of markets within the European Commission countries, delayed the mplementation of various policies anu strategies to enable member governments, some of which were hit by the currency crisis of the early 1990s, to be better prepared. Asean needs to ensure that when it opens up, it will not result in its own industries and corporations being trampled on by foreign competitors.

Call it a period of transition or a time to take stock of things, or even strategic withdrawal to allow its economies to take a step back to make that quantum leap into the future. Inevitably and ultimately, Asean will have to liberalise and globalise, and it will have to open up if it expects other regions to open up to its products and companies. The information technology era, the advent of the Internet and the push for K-economy will eliminate borders and pry open markets whether or not Asean governments are ready. But the grouping certainly does not have to take it upon itself to do all these before everyone s completely and absolutely ready.