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Dawn of a new East Asia

LEADERS of Asean and the region's three powerhouse economies China, Japan and South Korea are gathered in Bandar Seri Begawan, Brunei, for what is shaping up to be a watershed summit. They are bent on stronger economic integration and will look into developing a giant East Asian free trade area (FTA). Symbolic of the drive, South Korean leader Kim Dae-Jung has called for the annual "Asean+3 Summit" to be renamed the "East Asia Summit". Separately, China has proposed that it and Asean set up - within 10 years - a single market of some 1.7 billion consumers, the largest in the world. The idea was first raised by Chinese Premier Zhu Rongji at the Asean+3 summit last November in Singapore, and an expert group has presented its report on the concept for discussion by senior officials ahead of this year's summit.

Whether the two initiatives will be pursued independently or concurrently remains to be seen, but Beijing is already actively, if not aggressively, promoting the Asean-China FTA. Even without Japan and South Korea, the trade bloc promises tremendous benefits, especially in light of the global economic downturn in the aftermath of the September 11 terrorist attacks on the US. The World Bank has acknowledged that "China, with its growing economy, represents a source of increasing demand, from which neighbouring countries are well positioned to benefit." Asean and China have a combined gross domestic product (GDP) of almost US\$1.7 trillion (US\$1 = RM3.80), and a total external trade worth nearly US\$1.3 trillion. Significantly, it is not doing any harm for the confidence of South-East Asia that China - which is joining the World Trade Organisation (WTO) this month - has decided upon having Asean as a partner in its first ever FTA.

The timing is also right as China has been slashing tariffs in recent years, to the current average of 15 per cent from 40 per cent before, ahead of its WTO entry. And Asean - comprising Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam - will be rolling out its own free market next year. In expressing Malaysia's support, Minister of International Trade and Industry Datuk Seri Rafidah Aziz noted that Prime Minister Datuk Seri Dr Mahathir Mohamad had 12 years ago proposed an East Asian economic group, and China's concept advances that idea. Indeed, the caucus that Dr Mahathir had in mind then, which was irrationally opposed by the West, is ironically now showing every sign of developing into a far more formalised entity, and more quickly too, than anyone had hoped or feared. Still, going by the experiences of the European Community and the North American Free Trade Area, there will be challenges, with many complex issues to be ironed out; not forgetting that there will also likely be fresh resistance from the world's major economic powers.

There is no stopping the emergence of a tripolar new world economic order though, hard as some parties might try to delay the eventuality. In fact, it is looking like Asia will not be denied its "century", which economists were talking about before the 1997-98 crisis. But for Malaysian companies, this means there will be much more to think about than just the Asean Free Trade Area (Afta). While a massive market and fantastic business opportunities may be opening up, so would competition be intensified several times. Regarding preparations for Afta, the private sector had only last week been told off by Rafidah not to continue to look

to the Government for "incentives", because if it has not done anything in the past eight years since Afta was launched, it is probably too late. In any case, the only incentive that companies should rightly need to improve their competitiveness is survival, she said. With the dawn of a new East Asia, those words will ring true multiple times over.

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