

12/11/2001

Economists: EAEG fits into globalisation process

Hamisah Hamid

THE setting up of the East Asia Economic Group (EAEG) fits into the globalisation process as it benefits the whole world through increased trade activities, economists say.

The EAEG, comprising the 10-member Association of South-East Asian Nations (Asean), Japan, South Korea and China, will not evolve into an economic bloc which adopts protectionist measures.

Instead of going against free trade, local economists believe that the East Asian grouping will further enhance individual Asian countries' trade and investment links with the US and European countries.

"The removal of trade and investment barriers within Asia, despite being a regional initiative, will have a positive economic impact on the whole world.

"Due to the existing trade and investment links with the US and European countries, the increase in economic activities within the Asian region will generate more trade activities with the US and Europe," RAM Consultancy Sdn Bhd chief operating officer Dr Yeah Kim Leng told Business Times yesterday.

Thirteen Asian leaders attending the just concluded Asean and Asean+3 Summits in Brunei reached a consensus on the need to form the EAEG, a proposal made by Prime Minister Datuk Seri Dr Mahathir Mohamad 11 years ago.

The proposal, when first mooted, was resisted by the US on the grounds that the grouping would eventually become an economic bloc which runs against free trade.

Japan, the biggest trading partner of the US, also took a similar stand then, fearing economic repercussions from the US' opposition. South Korea and Singapore had also opposed the idea.

However, this time around, South Korean President Kim Dae-jung, who presented the East Asian Vision Group report which calls for the establishment of an East Asian community, is supporting the idea.

According to the economists, the EAEG is another regional group similar to what the North American Free Trade Agreement is to the US and the European Union (EU) to Europe.

They said it is timely for the Asian region to have its own economic grouping which can complement globalisation as it promotes intra-regional trade and investment.

The countries comprising Asean+3 have among the highest foreign reserves, totalling some US\$668 billion (US\$1 = RM3.80) in 1997.

Their savings rates are also among the highest in the world and collectively the 13 countries had a higher purchasing power parity of US\$9,431 against US\$7,665 for the US in 1997.

Meanwhile, the 10-member Asean has a collective gross domestic product of US\$820 billion, which makes the grouping the world's fourth largest market after the US, EU and Japan.

The economists believe that the US will benefit from a more prosperous and stable region.

Being the most populous region, with about 35 per cent of the world's total population of six billion, the East Asian region could also fend better during an economic crisis if it can take collective action under a regional grouping.

An economist said the East Asian grouping, like a common market, will

generate greater initiative for liberalisation in trade and investment in the region.

Another economist said that the EAEG fits the globalisation process as it brings "greater globalisation among Asian countries".

"It will prepare Asian countries for a wider field of globalisation with unequal partners in the future. Asian countries, except for Japan, are generally compatible in terms of technological and agricultural development," economist Tan Sri Ramon Navaratnam said.

He said when the EAEG materialises, it will benefit nearly two billion people from shared technology, labour movement and cultural interaction.

"With abundant labour and great cultures and religion in this part of the world, we will be able to develop strong ties and new value systems based on smart partnerships and "prosper-thy-neighbour" policies in Asia," he said.

Navaratnam said the EAEG will foster greater stability and peace in the region when the member countries learn to cooperate and collaborate for more social and economic benefits.

Malaysian Businessmen and Industrialists Association (Perdasama) president Datuk Moehamad Izzat Emir said Malaysia will benefit greatly from the setting up of the EAEG.

He said the regional economic grouping will not only promote trade and investment among Asian countries, but also create friendly competition among member countries in offering the best incentives to attract investment.

"I think Malaysia is in the best position to offer attractive incentives to lure businesses and investment because South Korean and Japanese economies are slowing while other South-East Asian countries like Singapore and Thailand are badly affected by the global economic condition.

"We, however, still have strong agricultural and manufacturing activities," he said.

Moehamad Izzat pointed out that Malaysia has also built good ports around the country, which will better facilitate international trade as well as being a regional transshipment centre.

With good facility, infrastructure, transportation and excellent communications systems, he said Malaysia will benefit greatly from the grouping when trade and investment barriers are reduced.

"I will not be surprised if we take over from Singapore as the cost of doing business here is cheaper," he said.

(END)