

23/05/2002

EAEG moving beyond concept

IT IS an idea that won't go away, the Asean+3 or East Asian Economic Grouping (EAEG); a dream for some and a nightmare - an unnecessary one too - for others. With a population of close of to two billion people and rich resources, the 10 Asean members plus Japan, South Korea and China have long represented the most dynamic economic region in the world. And on the political front, aside from periodic tiffs among neighbours and the upheavals - particularly in Indonesia - caused by the 1997-98 Asian financial crisis, the region has enjoyed peace and stability for more than a quarter of a century, that is since the end of the Vietnam War. Consequently, it has attracted more than its fair share of direct investments and had before the Asian crisis even threatened to shake up the established bipolar world economic order made up of the US-led North American Free Trade Area (Nafta) on the one hand and the European Union (EU) on the other. Further economic integration was indeed inevitable, but then it was precisely because of the success of and challenge posed by the region that the process ran into such stiff opposition before.

Things seem to have changed somewhat since. Maybe it is out of recognition by the West of the irreversibility of the process that protestations against the 13 countries forming a trading bloc have become a lot less forceful. Maybe the incumbent economic powers are now a little more confident in taking on Asia, seeing that many of the economies have suffered great setbacks as a result of the late-1990s' economic turbulence. For the prospective members of the grouping though, not only do they need no convincing in respect of the potential benefits, but they are also constantly reminded that they have to be more effective in protecting their collective interests; the latest being Washington's unilateral move to raise steel tariffs hence threatening to trigger a global-scale trade row. Prime Minister Datuk Seri Dr Mahathir Mohamad, in Tokyo for an official visit, and his Japanese counterpart Junichiro Koizumi reportedly discussed the setting up of a secretariat to take the EAEG beyond the conceptual stage, and the latter has agreed that it be based in Malaysia.

This is in apparent recognition of the fact that the original idea for the grouping came from Dr Mahathir himself years ago, although then referred to as East Asian Economic Caucus. Among the opponents at the time were New Zealand and Australia, as they were not included in the scheme of things. Japan itself also demurred mainly on account of Washington's objections. China on the other hand was enthusiastic from the start and South Korea was supportive too, with President Kim Dae-jung even proposing that Asean+3 be formalised as EAEG. Of course, Japan is now led by a reform-minded prime minister while China has gained entry into the World Trade Organisation. But it is far from smooth sailing from now. In the wake of events in the past few years, certain Asean members' commitment to the grouping have been sorely tested, for example with some having decided to pursue bilateral trade agreements with countries from outside the region. More significantly, China has also been viewed with trepidation for its potential to "suck away" all investments from its neighbours.

This however is all the more reason that China should be engaged, rather than contained, as Dr Mahathir has pointed out. Instead of being "defeatist" and fear the republic's emergence as an economic power, Asean should work with it and benefit from the closer cooperation, the Prime

Minister has said. For this purpose, the EAEG will surely be ideally suited. China has already effectively proposed to join the Asean Free Trade Area, by suggesting that a China-Asean common market be formed. Many things naturally have to be worked out before this can be achieved, but when done, it will be a small step indeed to incorporate Japan and South Korea into a mega single market that rivals Nafta and EU.

(END)