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Asean-Integration

MORE DIRECTION, PUSH NEEDED FOR ASEAN ECONOMIC INTEGRATION

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PHNOM PENH, Nov 4 (Bernama) -- The major reason Asean seems to be bogged down on the road to economic integration beyond tariff-cutting is that it is unclear about the medium and long-term objectives, Asean Secretary-General Rodolfo Severino said today.

He said regional economic integration also seemed to have become stuck in "framework agreements, work programmes and master plans".

"Asean Vision 2020 envisages an Asean Economic Region in which there is a free flow of goods, services and investments. But how precisely is this to be achieved?"

"What kind of economic integration should Asean strive for? Should Asean now aim for a Customs union? A common market? A single market? An economic union?" Severino said in his report to regional leaders who are gathered here for the two-day Asean Summit which began today.

The diplomat said regional economic integration should involve not only trade and industry but also finance.

"Studies are being done on such measures as integrating capital markets, adopting an Asean currency unit, liberalising financial services and removing restrictions on intra-Asean capital account transactions," he said.

Severino also presented to the leaders the outcome of a study which said Asean faced a serious competitiveness challenge for it had failed to fully capitalise on its strength despite a total market size comparable to coastal China.

The study, he said, indicated that investment and export trends were worrying as investors were deterred by problems created by the limited integration of Asean with few viewing the region as a single market.

According to the survey, Asean's small, fragmented markets were not attractive to investors compared to the large Chinese market and more integrated regions elsewhere in the world.

The study was done by McKinsey & Company, an international consulting firm engaged last May to review and provide suggestions to enhance Asean's economic integration.

It recommended the acceleration and deepening of the process through an effective programme of action that would involve the free movement of goods, services, capital and skilled labour; harmonisation of external tariffs; promotion of policies on fair competition; and providing technical support for less developed member states.

Two key sectors have been identified for the push towards economic integration - the electronics and consumer goods industries.

The study encouraged Asean countries to develop a stronger, more independent set of institutions to drive integration that was initially linked to the two key sectors.

It said member countries should empower these institutions to develop technically sound policies, to monitor implementation and ensure investor confidence in dispute settlement.

Malaysia is represented at the summit by Prime Minister Datuk Seri Dr Mahathir Mohamad.

Asean groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Myanmar.

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