

Asean inches to common market

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By Thomas Fuller

2015 TARGET: While the rest of the world seems to be stalling, Asean is racing ahead towards greater economic integration

THE Thai hillside village of Phu Nam Ron along the border with Myanmar was once a dead end. The road from Bangkok curved up scenic mountains through a sparse collection of wood and cement houses and stopped at the frontier.

Now, as Myanmar opens up to the world after decades of isolation, Thai construction crews are clearing paths through the malarial jungles in preparation for creating a gateway that underlines the movement toward broader regional integration.

Southeast Asia has long been divided by language, religion, historical rivalries and, farther south, the geography of sprawling archipelagos. But the opening of Myanmar; the construction of bridges, railways and roads on the Indochinese Peninsula; and the rise of inexpensive air travel are bringing the region's nations closer to the goal of standing up to the two giants of the neighbourhood, India and China. Those changes, in turn, give more credence to plans to establish a common market by 2015.

"The rest of the world seems to be stalling," said Surin Pitsuwan, the secretary-general of the Association of Southeast Asian Nations, which is steering plans for the common market. "We are doing quite well."

As Asean prepares for high-level meetings this week that will be attended by United States Secretary of State Hillary Clinton, the ambitions for knitting Southeast Asia together economically have never been greater.

In 2014, Communist-ruled Laos and its capitalist neighbour Thailand, enemies during the Cold War, are set to inaugurate the fourth bridge built across the Mekong River in less than two decades. Western Cambodia gets its electricity from Thailand, and the glittering lights of Bangkok are possible, in part, because of the natural gas that is piped in from Myanmar. And Myanmar says it will rebuild its rail line to Thailand -- conceived by Japan, built by prisoners during World War 2 and made famous by the movie *The Bridge on the River Kwai*.

These types of connections "are starting to restore Southeast Asia's position as the crossroads of Asia", said John Pang, chief executive of a research organisation that studies Asean and was set up by Malaysia's CIMB Group.

The impetus for the Asean nations' integration in many ways comes from the outside. Both Japan and China have been active in financing infrastructure projects in the region, partly because a better-connected Southeast Asia will make it easier to sell their products -- and, in Japan's case, to link a vast network of suppliers to Japanese-owned factories.

"This is their backyard. They want easy access, and they want it organised."

China's view of Southeast Asia is more complicated. Economically, it would like to see a strong Asean, Pang said. But on some delicate territorial issues, Beijing insists on dealing with countries individually, in particular on the rising tensions over the competing claims in the South China Sea.

From some vantage points, Southeast Asia barely coheres as a region. But the integration of Southeast Asia has taken on a life of its own.

It more closely resembles the European Economic Community, the predecessor to the European Union, than it does the current European bloc, which is struggling to reconcile its plans for a common monetary policy with its lack of fiscal and political unity.

Those who follow the progress of Southeast Asia's integration say the process has been more organic, less scripted and less legalistic than Europe's. The movement of people across borders is the product of both the weak rule of law in the region and the mismatch between the supply and demand for workers. People from Myanmar, Cambodia and Laos who want to work in Thailand slip across the porous borders, often in full view of Immigration authorities.

An estimated 2.5 million people from those three countries have taken that route.

Thailand, having realised the value of such labour, has offered temporary working papers to 900,000 people, but it jealously guards the path to citizenship.

Travel for the more affluent has been transformed by AirAsia, a low-fare carrier that was rescued from insolvency by a Malaysian entrepreneur a decade ago. It now has 4,800 flights a week, close to 90 per cent of them among Asean member nations.

"We have barely scratched the surface in terms of meeting demand," Tony Fernandes, the chief executive of AirAsia, said by email.

Multinational companies have been among the biggest beneficiaries of Asean's growing cohesion.

Stuart Dean, the chief executive of General Electric Asean, a division of the global company, said it had benefited from the economics of scale by consolidating its three light bulb facilities into one large factory in Indonesia.

Dean describes the opening up of Myanmar as the "most remarkable thing I've seen in Asean in 20 years". But he laments the absence of consistent standards in the region, the barriers to trade, and the lack of integration among capital markets.

"Generally speaking, it's two steps forward, one step backward."

Wars have divided the region for centuries. Thailand and Myanmar have fought at least 44 times. Two of those wars were for control over the area where Thai engineers are now tracing the road through the Myanmar jungles.

What Thailand could not achieve through war it is getting in peace: relatively easy access between Bangkok and the port of Dawei, Myanmar, on the Andaman Sea.

Ultimately, the new road will provide a shorter trade route to Europe, the Middle East and Africa for products made on the Indochinese Peninsula. NYT

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