

MUCH RHETORIC, FEW GAINS IN ASEAN COOPERATION.By **Chaitanya Kalbag**

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MANILA, Dec 13 - South-east Asian leaders gather in Manila this week to try to refurbish an organisation that has rarely moved from rhetoric to reality on its main goal of economic cooperation, analysts said.

The threat of a recession in the United States, a slowdown in the world economy and rising protectionism loom over the six-member Association of South East Asian Nations (ASEAN) as it holds only its third summit meeting in 20 years.

"The agenda is heavily economic," Philippine Foreign Secretary Raul Manglapus told a pre-summit briefing.

ASEAN ranges from oil-rich Brunei, with a 1986 per-capita income of 17,000 dollars, to Indonesia, the world's fifth most populous nation with a per-capita income of 470 dollars.

Its members collectively represent a 220 billion dollar market of some 290 million people living in one of the most resource-rich regions in the world.

Analysts polled by Reuters said during the 1970's, with peak commodity prices and expanding world trade, ASEAN members felt little need for each other. Singapore's economy grew at an annual average of 9.5 pct during the decade and even the laggard Philippines grew at a healthy 6.2 pct.

But commodity prices crashed in the 1980's. Indonesia, Malaysia and Brunei suffered from falling oil prices. The Philippines' per capita income shrank to 1975 levels.

Along the way, ASEAN's members have moved in excruciating slow-motion to open their markets to each other's products.

About half of the 19,000 goods included in the group's preferential trading arrangement (PTA) have been placed on "exclusion lists" by member countries, thus shutting them out of their markets. Malaysia's palm oil and the Philippines' coconut oil, for example, are major competitors.

"While the ASEAN leaders are well aware of the long-run benefits of closer economic cooperation, they are afraid to face the short-run political consequences of economic adjustment and dislocation," Villagas said in a recent paper.

Mutual suspicions have already surfaced over a two-billion-dollar ASEAN aid package announced by Japan as part of its 20-billion-dollar plan to recycle its huge trade surplus.

Tokyo has made clear that Singapore and Brunei, the most affluent in ASEAN, can expect to benefit little from its largesse. The others are anxious that any loans should have no project-tied strings attached.

On Saturday ASEAN economic ministers took the first step towards greater cooperation by approving four agreements that will be rubber-stamped by their leaders during the summit.

The accords stipulated a cut in import duties of up to 90 pct for goods produced under the ASEAN Industrial Joint Ventures (AIJV), up from the present 75 pct.

Foreign participation in AIJV projects was raised to 60 pct from the existing 49 pct. The rules of origin were relaxed so that AIJV products need only 35 pct local content, instead of the present 50, to qualify for tariff preferences.

The ministers also agreed to cut import duties by 50 pct on goods on the PTA list exported from one ASEAN country to another, to limit exclusion lists to 10 pct of each country's total traded items, and to ensure that exclusion lists did not account for more than half of total regional trade.

A third pact laid down protection and guarantees for intra-ASEAN investments against seizure or nationalisation, while a fourth said the members would either freeze or roll back existing non-tariff trade barriers.



The hopes pinned on the Manila summit were underlined by a meeting of the ASEAN Chambers of Commerce and Industry held in Jakarta in July.

"The political and peace dimensions of ASEAN must remain paramount. But in the face of the structural changes in the world economy ... the economic dimension must be developed to the point where, for the first time, economics will truly be a central game in ASEAN," the meeting said.

"If the summit does not grasp the economic imperative, we will have lost a crucial strategic opportunity."

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