

DOCUMENTATION

Globalization's Challenge to Regional Economic Integration

Address by H. E. Rodolfo C. Severino,
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Southeast Asian Nations,
at the Symposium on AFTA and Beyond

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We thank you, Madame President, for graciously consenting to share with us your thoughts on ASEAN and on the ASEAN Free Trade Area. You honor us with your presence. In joining us today, you not only lend the prestige of your office to our observance of AFTA's coming-of-age. You bring with you the Philippines' and your personal commitment to ASEAN and to AFTA and your vision for them.

That commitment and that vision arise from your conviction — from *our* nation's conviction — that, by virtue of geography, of globalization, of economic forces, of technology, the Philippines and all the other countries of Southeast Asia must find their common interest, their common mission, their common aspiration, and their common destiny in those of the region as a whole. This means, at its most basic, the integration of the regional economy.

On the first of January, ASEAN took a significant step toward regional economic integration, when each of the six original signatories to the AFTA agreement — Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand — had to bring down tariffs on almost all their trade with one another to 0–5 per cent. This is six years earlier than the date originally set when the AFTA agreement was signed in 1992.

It is appropriate that we hear later this morning from Peter Garrucho, who signed the agreement for the Philippines as Secretary of Trade and Industry.

The tariff-reduction schedule among the six ASEAN members, which are the region's leading trading nations, has been accelerated twice. It has been accompanied by a massive expansion of intra-regional

trade — from US\$44.2 billion in 1993 to US\$97.8 billion in 2000. The average tariff on intra-ASEAN trade is now down to just a little more than three per cent.

This milestone represents an important step toward regional economic integration, but it is only one. Much more needs to be done. Tariffs on intra-ASEAN trade have to be brought down to zero, as ASEAN committed to do in 1999. The four newer members of ASEAN — Cambodia, Laos, Myanmar and Viet Nam — have to move faster in integrating their economies with the rest of the region. ASEAN has to be more serious about dismantling non-tariff barriers. Regional trade in services has to be opened up. Customs procedures have to be reformed and streamlined so as to keep pace with the liberalization of trade in goods. Tariff nomenclatures and product standards have to be harmonized. Seamless and competitive regional transportation networks have to be put in place. The region, for example, has to shed the outdated notion of protecting national airlines at the expense of the national economy as a whole.

Southeast Asia has no other alternative. Regional integration, in today's world, is the only way to generate sufficient economic activity, improve efficiency, heighten competition, attract investments, and thus create jobs. No single Southeast Asian nation — not even Indonesia or Singapore — can prosper outside the framework of regionalism.

The forces of globalization require closer regional integration if Southeast Asian countries and Southeast Asian firms are to hope to be competitive in the global economy. That is obvious enough. But this imperative is made even more urgent by the disturbing trend of intensifying protectionism and trade distortion in the developed world amid its rhetorical homage to globalization and free trade.

The manifestations are clear enough. The tit-for-tat measures against steel products that began with the United States. The massive agricultural subsidies in the European Union, Japan and now the United States. Agricultural protection in the guise of quarantine regulations. The proposed preferential treatment by the United States for tuna from the Andean nations and by the European Union for tuna from former colonies of some of its member-states. The abuse of anti-dumping measures, imposing on developing countries the prohibitive costs of litigation. These short-sighted policies fortify the forces of protectionism everywhere and undermine the multilateral trading system that has been so painstakingly put together and to which ASEAN remains strongly committed.

In the face of this challenge, ASEAN has no choice but to band closer together. It would still be much less powerful than the massive continental economies, but ASEAN members would have a better chance working together than moving separately in a harshly competitive world.

Nor would ASEAN alone be enough. It has to reach out to the region beyond Southeast Asia. This is the logic behind ASEAN's efforts to deepen its economic linkages with Northeast Asia and with Australia and New Zealand. One of the recommendations of the East Asia Vision Group created by the ASEAN leaders and those of Northeast Asia is the formation of an East Asian Free Trade Area. The officials of ASEAN and of Northeast Asia are now seriously considering this concept.

ASEAN has responded to the rise of China as an economic power by engaging the Chinese economy with confidence and seeing vast opportunities in its surge. This is the premise underlying the decision of ASEAN's and China's leaders to negotiate an ASEAN-China free-trade area. As President Arroyo said in Tokyo just nine days ago, combining the ASEAN and Chinese economies "would give birth to a market of 1.8 billion consumers or almost one-third of humanity. The wide variety of traditional strengths, talents and natural resources of the two areas would shape the contours of this giant consumer market. As it evolves, investment flows would be redistributed in the future."

Building on the long-established economic relationship between ASEAN and Japan, moves are under way to form a network of deeper economic partnerships between Japan and individual ASEAN countries within a common framework. Agricultural trade remains an issue in ASEAN-Australian relations, but talks between ASEAN and Australia and New Zealand are going on to deepen their relationship, including measures to overcome the obstacles to agricultural trade.

In all of this, ASEAN knows that it must remain politically cohesive and increasingly integrated economically. This is why AFTA is important. And this is why the necessary next steps in regional economic integration must receive the support of the ASEAN business community, which stands to benefit from the regional market.

In her address at the ASEAN Secretariat in Jakarta on the 13th of November, President Arroyo declared, "What we require today is no less than a change of mindset — to use a modern cliché, a paradigm shift. We must think regional. We must truly believe that our national or corporate or personal interest lies in the destiny of the region. This is required of our business communities no less than of policy-makers. We have to cast off the kind of thinking that continues to burden many of us — the idea that we are good only for the confines of our national boundaries, whose market is to be protected as our preserve, each nation to its own. This will no longer work in today's world, even if it ever did."

It is ironic that the call for regional economic integration has come primarily from the business sectors of Japan and the United States. Indeed, the US-ASEAN Business Council is one of the co-sponsors of this symposium, as it was of a similar one in Jakarta last January. The Council is ASEAN's leading advocate with the U.S. government, the U.S. Congress, the U.S. business community, and the U.S. media. It has been helpful to ASEAN and its Secretariat in countless ways. In fact, today, it has launched an online database that enables importers and exporters to look up, quickly and easily, tariff information in AFTA based on HS codes and key words. Do look up <http://www.us-asean.org/aftatariffs.asp>, as well as <http://www.aseansec.org>.

Our other co-sponsor is the Makati Business Club, which has long championed the cause of the global and regional competitiveness of Philippine business — and the cause of regional economic integration.

What we need is pressure from the ASEAN business community on behalf of the integrated regional market that ASEAN's economies and businesses need to prosper and even survive. I hope that the ASEAN Business Advisory Council that is being set up will be such a force for Southeast Asia's economic integration and ASEAN's greater competitiveness.

SOURCE: ASEAN Secretariat <<http://www.aseansec.org>>