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More regional co-operation needed to boost competitiveness

WORANUJ MANEERUNGSEE

While Asean members have pledged to establish a single-market Asean Economic Community by 2020, observers say more ambitious efforts to build regional co-operation are needed to strengthen the competitiveness of Asia in the future.

International economists debated the move toward Asian free trade through bilateral and regional arrangements at the 12th Annual Conference on Pacific Basin Finance, Economics, Accounting and Business.

Dr Hilton Root, a US economist and professor at Pitzer College, said the 10-nation trade bloc should deepen its economic ties with China, Japan and South Korea and move toward a comprehensive free trade agreement covering trade, investment and services.

A comprehensive FTA would benefit East Asia more than a number of separate agreements, which would lead to divisions and damage to the global trade system. Businesses would also see greater costs in having to comply with various rules of origin, leading to a "spaghetti bowl effect".

"I would rather see Asian countries have unity," Dr Root said. "Too much spaghetti on the plate does not lead to very good nutrition."

But Tan Khee Giap, a professor at the Singapore Institute of Policy Studies, argued that "too much spaghetti is better than an empty plate".

He said that Asean, with a market of more than 500 million people, needed to expand the existing Asean Free Trade Area programme through regional and bilateral FTAs.

Dr Tan agreed that Asean should join together with other Asian nations and build a customs union mirroring that of the European Union.

"But it will take many more years to reach this goal," he cautioned.

Winichai Chaemchaeng, the deputy director-general of the Thai Trade Negotiations Department, said Asean was following the EUs footsteps by selecting 11 priority on goods and services sector to be integrated on free trade and investment.

"If this scheme runs smoothly, it would set the stage for deeper Asean integration," he said.