Southeast Asia Urged to Form Economic Bloc

By JANE PERLEZ

VIENTIANE, Laos, Nov. 28 - Two of Southeast Asia's newest leaders called for faster economic integration at an annual summit meeting on Sunday, saying the region risked being trampled by China and India if it did not act.

The recently elected leader of Indonesia, Susilo Bambang Yudhoyono, and Abdullah Ahmad Badawi of Malaysia, who became prime minister in late 2003, said the 10-member Association of Southeast Asian Nations, known as Asean, must continue the steps toward economic integration that began after the recovery from the Asian economic crisis of 1997.

Mr. Yudhoyono, making his debut at an Asean meeting, was blunt.

"Our main challenge today is to deepen our economic integration," he said. "Why? Two words: India and China."

He added, "Indonesia is pledging to accelerate our efforts with other Asean members to deepen this economic integration."

The two leaders spoke at a meeting of business leaders set up as a prologue to the gathering for heads of state, which opens Monday.

The dominant theme for the association has become how to handle China, which along with Japan, South Korea and India sends representatives to the annual session. The fear of being overcome by China has driven the previously somnolent group to make more vigorous moves toward economic integration, with some talking of an eventual pan-Asian economic community resembling the European Union.

A major agreement to be signed here is a trade pact between China and Asean intended to remove tariffs on merchandise by 2010, the year set by China and Asean to establish a free trade area.

Asean has said it will establish an economic community by 2020.

But in many respects the Asean-China relationship appears to be the faster moving one. Asean and China will also sign an accord on mechanisms for settling trade disputes.

Trade between China and the members of Asean soared to $84 billion in the first nine months of this year, a 35 percent increase from the same period last year, the Chinese vice president, Wu Yi, said at a recent China-Asean expo. At its current pace, the trade between China and Asean could soon match the $120 billion in
annual trade between Asean and the United States.

Mr. Yudhoyono said he wanted to see Southeast Asia transform itself into a single market and a single production base.

Mr. Badawi, the Malaysian leader, called for what he described as a three-pronged approach to enhance the region's competitiveness. "First we must continue to deepen our regional economic integration," he said. "Second, we must expand our linkages with our major trading partners. Third, we must promote the development of subregional initiatives."

In talking about subregional plans, Mr. Badawi was referring to the disparities among Asean's six core members - Singapore, Malaysia, Indonesia, Thailand, the Philippines and Brunei - and the poorer newcomers, Vietnam, Cambodia, Laos and Myanmar, formerly Burma.

The leaders of Australia and New Zealand were invited to join Asean's summit meeting for the first time to start negotiations for their own free trade accords with Asean.

But before arriving here on Sunday, Prime Minister John Howard of Australia showed again the nature of the complicated relationship between Australia and its Asian neighbors. He said he would not sign an Asean nonaggression accord that Asean had asked Australia to sign. China signed it last year.

Australia's foreign minister, Alexander Downer, said the accord would interfere with Australia's alliance with the United States and would prevent Australia from speaking out on human rights issues.

The leading Australian newspaper, The Age, said Mr. Howard's attitude was such an affront to Asean that it would be probably be the last time that Australia would be invited to the summit meeting.