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## Apec cohesiveness in the face of Asia's troubles

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THERE is no doubt that the financial and economic problems of Asia-Pacific rim countries has topped the agenda of the annual meeting of leaders of the Asia-Pacific Economic Co-operation forum who began arriving in Canada's west coast city of Vancouver yesterday.

To Asian members, it is as should be. But others are worried that discussions on Southeast and East Asia problems will reduce the trade liberalisation agenda of Apec to a side-show.

The fits of meteorological temper the city experience at this time of the year reflect the mood of the leaders of the 18 economies as they began bilateral consultations, prior to their summit on Tuesday.

The fifth meeting, referred to as the annual leaders meeting in Apec's nomenclature, comes about four months after Thailand's currency problem triggered major woes in the currency markets of other Apec members - from Indonesia to South Korea.

Last week, the ringgit went down to an historic low having already shed 30 per cent of its value in the previous two months. That same day, the South Korean won dropped 10 per cent after having already fallen more than 10 per cent.

Since July, the Thai baht and the Indonesian rupiah have fallen 40 per cent, the Philippine peso is down 30 per cent and the Singaporean and Taiwanese dollars lost over 10 per cent.

Stock markets in the region have been badly bruised, triggering financial market turmoil in New York, London, Toronto and elsewhere.

Prime Minister Datuk Seri Dr Mahathir Mohamad arrived yesterday with a mission backed by other forums to call for a regulation of the currency markets, the wild fluctuations of which had been blamed for some countries coming to economic grief recently.

He had spoken out against the largely unfettered foreign exchange markets at the Commonwealth Heads of Government Meeting in Edinburgh last month and also at the recent Group of 15 summit.

The Commonwealth countries agreed with his call that foreign exchange markets should be subject to greater controls; the G15 went further by calling on the International Monetary Fund and the World Bank to "study recent developments in currency markets with a view to appropriately regulating them in order to make them more open and transparent".

G15 monetary authorities meet in Kuala Lumpur this week. Their conference will coincide with another meeting on the same subject involving Asia-Pacific finance ministers and IMF managing director Michel Camdessus.

Dr Mahathir will not be a lone voice in Vancouver. Philippine President Fidel Ramos and others are also expected to raise this issue.

Other Apec members seemed "quite unhappy that the troubles of the Asian Apec members have elbowed their way into the Vancouver summit". They are concerned that Asian financial problems could jeopardise Apec.

It could slow down the forum's free trade agenda which was visualised in Seattle, agreed to in Bogor, with progressive action plans fine-tuned and polished in Osaka and Manila.

To be successful, the Vancouver summit must progress beyond the steps taken at Osaka and Manila.

A number of officials are certain that the Apec agenda may be stalled temporarily as a result of the problems in Asia.

They say that exports from countries where currencies have dropped in value will cost much less in countries whose currencies are strong - and imports into the weak-currency countries will cost much more.

"This time around and unlike in past summits, especially in Bogor, resistance to free trade may come from strong currency members," said an official.

They pointed out that foremost among these is the United States of America. Following the Mexican peso crash in late 1994, a number of protectionist voices have been heard in the Congress. And many more have been waving the protectionist banner following the troubles affecting Asia.

President Bill Clinton has been unable to negotiate free trade with Chile and almost a fortnight ago, Congress rejected his request for fast-track authority to negotiate other free-trade deals.

There is fear that the prospect of cheaper Asian imports could well prompt the US Congress to stonewall Apdc's free trade agenda. Clinton in his scheduled meeting with Asean leaders will have to give some form of assurance that in the "eyes of the United States, Southeast Asia is important as a major economic partner".

Apec, set up in 1989, comprises Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, Taiwan, Thailand and the United States.

Malaysia and Indonesia are also members of the G15 - the club of leading developing countries, which is now 16 following Kenya's admission. Others are Algeria, Argentina, Brazil, Chile, Egypt, India, Jamaica, Mexico, Nigeria, Peru, Senegal, Venezuela and Zimbabwe.

As host of the Vancouver summit, Canada has chaired the key committee, which organises the on-going discussion and negotiations to keep Apec's liberalisation agenda alive.

It was confident that despite the financial problems of Asian members, the 18 Apec economies would forge ahead with tariff cuts to achieve free trade and investment in the region, said its High Commissioner to Malaysia, Andre S. Simard, last week.

They are expected to announce new commitments which should include fresh tariff reductions under "individual action plans" (IAPs) and pledge to participate in a new accelerated liberalisation programme involving specific product sectors. IAPs are the keys to the implementation of Apec's free-trade blueprint, adopted in Manila last year, which required members to begin dismantling tariffs from Jan 1, this year, to achieve free trade and investment by 2020. Developed economies such as the United States and Japan should achieve the target by 2010.

Host officials said the member economies had improved their IAPs and were already implementing their undertakings. A document explaining fresh tariff and non-tariff liberalisation offers will be circulated.

The IAPs will remain the primary vehicle for trade liberalisation even though the forum will open up a new channel for freeing trade called "early sectoral voluntary liberalisation" programme.

Under the programme, specific sectors will be identified for accelerated liberalisation, including not only tariffs and non-tariff barriers but also facilitation of mechanisms to meet business requirements as well as infrastructure and human resources needs.

Apec's proposal for early sectoral liberalisation stemmed from the group's success last year in cobbling together a pact to scrap tariffs on information technology products. It sets the pace for a World Trade Organisation agreement to eliminate tariffs on most IT products by 2000.

It is also expected that there will be much exchange of views on the WTO

financial services negotiations now on in Geneva, and the desirability of pursuing broad-based trade liberalisation in the WTO as the world moves into the new millennium.

"There will be also be discussion on development co-operation following criticisms last year that it was almost forgotten due to preoccupation with trade liberalisation," said an official.

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