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Economic problems prove to be a boon to regional solidarity

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SOME say 1997 may go down in the annals of the 30-year old Association of South-East Asian nations (Asean) as its most difficult year. It had, among others, turned away the troubled Cambodia from being its 10th member, thus postponing its forefathers' vision of having all 10 South-East Asian nations in the grouping.

This year also saw currency traders wrecking havoc in the region's economies. The July 2 attack on the baht by these traders saw a contagion effect on the economies in the grouping. Currencies continue to slide unabated for the past five months, leading to economies revising downwards their growth rates.

The economies of four of the nine Asean countries - Thailand, Indonesia, Philippines and Malaysia - took a downward turn. As a result, the International Monetary Fund (IMF) had to draw up rescue packages for Thailand and Indonesia.

It also offered an extended facility to the Philippines, which is expected to graduate out of the IMF tutelage by year-end.

But if one is to look at the successes of the grouping in the years of its existence, the recent three-day Asean Informal Summit of its nine leaders - dubbed the mother of all Asean meetings this year - stands out.

Regional solidarity and cooperation - one of the basic fundamentals of the establishment of Asean on August 8 1967 - reigned supreme at the summit, comprising meetings of the Asean leaders and with leaders of China, Japan and South Korea.

It may be informal in nature, with no formal agenda fixed for discussions, but the nine South-East Asian and three North-East Asian leaders consolidated efforts to find a solution to revive battered economies in the region.

Prime Minister Datuk Seri Dr Mahathir Mohamad, wrapping up the summit, said "there is a sense of unity ... because all of us are suffering from the same peculiar disease caused by the same virus".

Foreign Minister Datuk Seri Abdullah Ahmad Badawi, when briefing reporters after Dr Mahathir's bilateral meetings with some of the South-East Asian and North-East Asian leaders before the start of the summit, observed that the currencies and the economy dominated discussions.

It had definitely set the tone for the informal summit.

The leaders raised their concerns over the unabated depreciation of the region's currencies and called for global efforts including by the European Union, Japan and the US to help halt the slide. At the same time, they agreed to turn to trade to overcome the economic problems in the region.

Trade is one tool which can be used to reverse the situation. Abdullah pointed out to Business Times that Dr Mahathir's call for the increase in intra-Asean trade at the "Private Sector Salute to Asean" on Saturday is one solution towards overcoming the economic problems.

Dr Mahathir called on Asean nations to "bolster each other's strengths with linked arms", saying that increased trade among members will allow them to bounce back from economic problems.

"Of course, we would prefer to sell outside of Asean in hard currency and earn more foreign exchange. But where we can be competitive in each other's market, we should 'Buy Asean'," he had said.

South-East Asia in itself is a big market with 400 million consumers and

US\$600 billion (US\$1 = RM3.85) in combined gross domestic product (GDP). This will grow to one billion consumers and US\$2 trillion in GDP by the year 2020.

Intra-Asean trade accounted for 31.7 per cent of Asean's global trade last year. It has been on the rise, growing at 17.1 per cent in 1996 to a total of US\$155.2 billion. And this can increase further.

There were initial apprehension on Dr Mahathir's call to "Buy Asean" especially from Japan. Japan said it would seem protectionistic in nature and that it can be translated into a move to create a barrier to foreign trade by the nine-country grouping.

"It would not be a good idea if it is seen as a barrier," its spokesman said.

Abdullah calmed all fears, explaining that Asean wants to grow and to do this, it needs to trade. "How are we going to do this? If we can source cheaper materials within countries in the region, why not? We are looking at it this way," he added.

And Asean did not stop there.

They deliberated on a proposal for more than one international currency in the region for international dealings such as the the euro (European single currency) and the yen.

They also proposed the use of Asean currencies for intra-Asean trade. No objections were raised when the grouping made the proposal at the Asean Plus One meetings with Chinese president Jiang Zemin, Japanese prime minister Ryutaro Hashimoto and South Korean prime minister Koh Kun.

Koh Kun had, in fact, suggested that it be studied further.

Dr Mahathir, who chaired the meetings, described whatever decisions taken at the summit as "good enough".

"I don't think how this summit can do more ... I don't think anyone could really do more (than what we have already done). I accept that," he said.

When asked by reporters if the North-East Asian countries had offered Asean any assistance to overcome its economic problems, Dr Mahathir said "there were no offers, we did not ask".

At the end of the meeting and at a separate press conference, Hashimoto unveiled a package of measures to prop up economic structural reforms that included a 0.5 per cent cut in standard interest rate for Official Development Assistance (ODA) loans, US\$18 billion trade insurance credit line for infrastructure and to train 20,000 Asean youths over a five-year period.

China, meanwhile, assured Asean leaders that it will not devalue its yuan to maintain its competitiveness.

Chinese Foreign Ministry spokesman Shen Guofang said although China is very concerned over the currency turmoil, it will not resort to currency devaluation but "will take other measures in the interest of the stability of the other currencies in the region".

All in all, it has not been a bad year after all for Asean, which has a primary responsibility of strengthening the economic and social stability of the region.

It has, in line with the Bangkok Declaration which paved the way for its establishment in 1967, established a firm foundation for common action to secure prosperity for its peoples.

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