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New sense of confidence to meet economic problems in the region

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WHAT was obvious at this week's second informal Asean Summit and the series of meetings with leaders of the Northeast Asian nations was a new sense of confidence in the region to meet the economic problems.

For the first time, the Asean leaders, except for Indonesia's president Suharto who did not attend because he had been advised by his doctors to rest, sat together with leaders of Japan, China and South Korea to seriously look into the problems afflicting the region.

It was also the first time that Japanese Prime Minister Ryutaro Hashimoto, Chinese president Jiang Zemin and South Korea Prime Minister Koh Kun had seriously listened to the experiences and predicaments of the Asean nations in the wake of the economic problems which had depreciated their currencies and punctured their vibrant economic growth.

Each leader now understands each other's problems especially after their bilateral talks with Prime Minister Datuk Seri Dr Mahathir Mohamad on the eve of the Summit.

But that's not all. It has also united the region with Northeast Asia.

"It has brought us together," said Dr Mahathir.

"It has made us more conscious of the problem and to face it together. This Summit has brought the three countries from Northeast Asia and Asean closer. In a sense, there is unity in diversity.

"In the past there was a feeling that the East Asian nations should not be seen to be too close (with Asean) but now that feeling has changed. There is a push that we meet again earlier, less than a year."

Although they may not have all the immediate solutions to overcome the economic problems, at least they have displayed their commitment to explore solutions.

The future now looks better for the region as the Summit has provided a platform for the Asean nations and countries of the Northeast Asia to collectively address the problem bilaterally or even multilaterally.

This was evident from the unanimous acceptance by Asean member countries of the Malaysian proposal to remove barriers and promote greater intra Asean trade and investments following the depreciation of their currencies.

The support from China, Japan and South Korea to the proposal is perhaps one of the greatest achievements at the Summit.

It was clear that the dialogue partners found the Malaysian proposal workable. That was why they had given unanimous support to the proposal as they knew that Dr Mahathir was right that in order for Asean members to bounce back from the present economic problems, they would have to increase trade among themselves.

South Korea, facing similar financial problems, wanted to be part of it, suggested that an expert group be set up to study on how best to implement the proposal.

There is little doubt that a new milestone in the relationships between Asean and Northeast Asia has been nurtured in this summit and both sides realised the importance of each other.

As a result, leaders attending the informal Asean+3 talks agreed that they should have more meetings.

To begin with, they will meet again before the second Asia-Europe Meeting in London in April to discuss the impact of the introduction of the European single currency, Euro.

There was also a consensus among the leaders of Asean, Japan, China and South Korea on the need for a study on the possibility of forming a working arrangement to raise the financial capacity of national banks in the region following the World Trade Organisation's landmark agreement to open up the world's financial sector.

Asean and leaders of the Northeast Asian countries shared the same view that the opening up of the financial sector would pose problems in the region.

The summit also appeared to acknowledge the role of Japan to take the lead to overcome the economic problems in the region despite Hashimoto's remarks that all countries in the region are equal.

Asean leaders had said they hoped the Japanese economy would become more robust so that it would be a role model for the region.

To the delight of the Asean leaders, Hashimoto responded positively by pledging to take measures to ease pressure on the Japanese financial system.

Hashimoto gave assurance that Japan would not let itself to be the cause of world-wide depression.

And the Japanese Prime Minister revealed Japan's latest measures to strengthen its financial system including the issue of 10 trillion yen of state bonds, more efficient land use and nurture small and medium scale industries.

In its efforts to help countries in the region to restore economic stability, Japan had proposed the setting up of an Asean-Japan Human Resources Development Programme and assistance for small and medium scale industries which will certainly lay a new foundation for the Asean-Japan relations.

It brought more cheers to the region when at the end of the Summit, Japan, demonstrating its friendly gesture, announced its decision to reduce interest rates of the Official Development Assistance loans which will benefit several Asean countries and China.

The reduction will boost development of special environment projects and those concerning human resources development, small and medium-scale enterprises and cross border infrastructure.

The interest rates for the ODA loans were reduced by 0.5 per cent with Malaysia among the Asean countries benefitting from it with the basic interest rates reduced to three per cent.

Besides that, Japan also announced that it had raised the ceiling for its credit facility for the development of infrastructure projects to US\$18 billion.

The leaders of Asean were also looking forward for China's role in helping to revive the economy.

And China has already shown its commitment by assuring that it would not devalue its currency and that it would not want to compete with Asean nations which were seen as more competitive now following the depreciation of their currencies.

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