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PM: Asean faces 7 main challenges (HL)

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THE Association of South-East Asian Nations (Asean) must make a distinction between speculative short-term hot money operations and serious investments in productive activities as developments in its capital markets over the past five months have revealed its vulnerability to abuses.

Prime Minister Datuk Seri Dr Mahathir Mohamad, in identifying the developments in the capital markets as one of the seven challenges facing the nine-member grouping in the next millennium, said Asean should continue to welcome genuine long-term investments but must also be wary of operations which do not create any real wealth for its members.

"We need to cooperate in macroeconomic policy formulation to ensure the achievement of stable, sustainable economic growth for the region," he said at the opening of the 29th Asean Economic Ministers' Meeting in Petaling Jaya yesterday.

Dr Mahathir said the region's recent experience with currency manipulation should be a big lesson that Asean must "be perpetually alert to the possibilities of others exploiting our weaknesses in order to weaken us further."

Besides the capital market developments, he identified the development gap between old and new members of Asean; liberalisation; ensuring fair and open multilateral trading system; information technology; upgrading, strengthening and expanding of the services sector; and the need to upgrade the knowledge and skills of the people as the other challenges facing the grouping in the new millennium.

Dr Mahathir said while Asean had contributed positively to the conclusion of the Uruguay Round, the grouping needs to ensure that the multilateral trading system remains fair and open.

He noted that Asean had exerted its influence during the World Trade Organisation (WTO) Ministerial Conference last December to keep extraneous and non-trade issues from being brought within the discipline of the organisation.

"It is important that the WTO becomes the sole organisation for the settlement of disputes. Actions taken outside the WTO should not be allowed or respected.

"An organisation must have rules in order to exist and be relevant. Such rules must have the force of law, international laws which are properly and democratically enacted. An organisation without rules and regulations will not result in equality of benefits for the members."

On liberalisation, the Prime Minister said it is not about doing away with rules and laws altogether but about everyone submitting to the same set of rules, regulations and laws on a world rather than national scale.

"We need to liberalise without ignoring the dangers posed by those who see only the opportunities afforded them by their strength and experience, and the weaknesses which their victims may have.

"We must not just think of level playing fields but also the relative strength of the contestants.

"While standing together to face problems may not amount to much, it is still much safer than isolating ourselves in the hope that we may not be noticed and thus left alone," he added.

On information technology (IT), Dr Mahathir said Asean needs to formulate a joint framework for electronic commerce to ensure that the

guiding principles within that framework do not place the grouping at a disadvantage but in a position to reap maximum benefits.

"We cannot ignore that we need revenue to govern ourselves and much of this revenue comes from commercial activities.

"Thus, we need to harness developments in IT very early before the enormity and speed of these developments render it impossible for us to catch up," he said, adding that Asean members have already using modalities that form part of electronic commerce in conducting some of their business transactions. Dr Mahathir also said Asean needs to step up the pace on collective development efforts to stay ahead of changes.

While Asean has moved closer to achieving the vision of its founding fathers for all 10 South-East Asian countries to be brought into the fold, the Prime Minister said, "we need to remind ourselves that the development gap between the old and new members require special attention."

He expects the Mekong Basin development initiative to serve as the primary vehicle for Asean collectively to spur economic development of the new members.

"Through this initiative, we can work together in developing much needed hard infrastructure such as roads, bridges, railways, airports and ports, industrial estates, schools, hospitals and the other soft infrastructure like education and training, trade and investment facilitation, improvements in administration and management of projects.

"This regional effort will not only benefit the riparian states, but also the region as a whole. Our resolve to assist the development of the riparian states must be matched by deeds and financial commitments on mutually beneficial terms," he said.