

# Apec seeks solution to economic woes

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THE Apec 1998 meeting in Kuala Lumpur will go down in history as a "celebration" to mark the forum's 10th anniversary. But that hardly seems to be the mood now.

It will still be remembered as an important meeting but more for the efforts of the leaders to resolve the financial crisis.

The leaders will still make an appraisal in KL. But it will not be about the forum's direction after a decade long of economic endeavours which had been translated into freer trade programmes.

The appraisal will be of the economic effects, sectors most affected by slowdown in exports and imports, layoffs and retrenched workers and what sort of short-term damage control measures can be taken after the Apec ministers have gone through the Apec Economic Report which Beijing will table.

"The report will highlight areas that need emphasis. The focus for this year is human resource and retraining,"

**The Apec meeting begins in Kuala Lumpur next week to find a solution to help millions of people in the Asia Pacific region affected by the economic turmoil. HARPAJAN SINGH looks at some of the issues that will be discussed by the leaders of the 21 economies.**

Malaysia's Apec co-ordinator Abdul Razak Ramli said.

And beyond that, the leaders and their ministers will devote their hours to find ways to help the poor and people who had lost their jobs and have no means of supporting their families.

The question of increase in prices of goods and the shrinking purchasing power of the man in the street in the affected economies, namely Indonesia, will be another important area, besides the plight of millions who have no money to buy three meals and medicine.

Razak admitted that the focus this time will be the financial and economic crises where member states will explore measures to solve the problem

and see if they can find a mechanism to prevent a recurrence.

Malaysia will make a strong push for the need to regulate currency speculators who have been blamed for attacking currencies of economies in the region and impoverishing them.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who will chair the leaders' session on Nov 17-18 is expected to get strong backing for his call for transparency in the currency market from Southeast Asian states as well as other economies like Taiwan, Japan and even newcomer Russia.

For one, all the Asia Pacific economies recognise the fact that the long lists of Apec programmes may fall flat if economies find their capacities to

implement their plans curtailed.

The shrinking investments and liquidity problems have already affected confidence and there are worries now that Apec trade liberalisation endeavours may end up just theories if economies are driven to defend their domestic industries by the crises.

Regardless of whether the international institutions subscribe to the theories or not, no one is going to champion liberalisation and let outsiders come in and take over their industries.

"We have recognised this (disciplining currency speculators) since Vancouver in 1997. Now we must begin to do something, get our act together and put our best brains together," International Trade and Industry Minister Datuk Seri Rafidah Aziz said.

China's foreign ministry spokesman Zhu Bangzao has supported that, saying the summit will be a good chance to find ways to overcome the crisis, restore economic growth

and strengthen the international financial system.

Rafidah, who will chair the trade ministers' meeting on Nov 14-15, said there must be some mechanism for the Apec process to strongly put international resolutions through the International Monetary Fund channel or other means.

And the leaders will seek to add more bite to the recent new signs of economic recovery that have been coming from the Asia Pacific, especially Southeast Asia.

"Exports are up in South Korea. There are signs of recovery in Malaysia and Thailand too. Our first task should be how do we put Japan back on track so that others can benefit and work towards recovery," Taiwan's Minister of State P.K. Chiang said.

Chiang, who is heading Taipei Apec's delegation, said since most Southeast Asian countries exported products to Japan, it was important to remedy the situation in Tokyo so that it could increase imports.

"The financial and economic crises should dominate the Apec meetings," he said, adding that Malaysia, as host, should be able to give the meeting a direction on what could be done to remedy the situation.

And that is exactly what Razak, as chairman of the Apec senior officials meeting (SOM), has been busy doing for months.

Delegates say SOM has been tirelessly working and examining how relevant Apec's activities were in liberalisation and facilitation of trade, economic and technical co-operation and in addressing the human resource needs and short-comings.

"We feel that there is a need to look into areas like trade financing, the production process and see how we can individually and collectively rejuvenate companies," one official said.

He said efforts were underway to further reduce red tape and to harmonise standards and procedures for speedier and easier mobility of goods.

Kazak said Apec needed to send a signal that it was not slowing down in its liberalisation endeavour.

However, he touched on the question of realism saying that while Apec was not lowering its sights and targets, there was a need to create room for flexibility for developing economies especially in the present economic scenario.

That obviously has

gained Malaysia strong backing from Russia and almost all the developing economies who say there may be a need for a slightly longer timeframe to liberalise certain sectors, particularly sensitive products.

For the record, Razak was obviously referring to Apec's liberalisation target of 2010 for advanced countries and 2020 for developing countries and not to ongoing talks for agreement of a list of products under the Early Voluntary Sectoral Liberalisation (EVSL).

Member economies are to agree in KL to liberalise nine sectors under the EVSL plan and offer six more products next year when they meet in New Zealand.

And trouble appears to be brewing because Japan has jitters about opening its markets for fisheries and forestry.

For Tokyo, the two are sensitive products. Opening them may have political repercussions.

Japan is having a tough time convincing the others because the two key sectors also happen to be sensitive products for South Korea, China and Taiwan; but the other three have grit their teeth and offered the sectors for tariff cuts.

Several meetings up to a breakthrough on Japan's adamant stance have so far failed to bear fruit.

And that has not gone down well with the others who have started hammering Tokyo and accusing Japan of trying to derail the process.

Jakarta for one has already issued threats that it will not be willing to open up on chemicals and electronics - which will benefit Japanese companies - if Tokyo stays adamant.

The White House has expressed concern over Japan's reluctance to apply tariff cuts in the two sectors and Washington has informed Japan that it is inexcusable for the world's second-largest economy not to fulfill its responsibilities for sectoral liberalisation.

"If Japan does not participate in these two sectors, then the ministerial and heads of state and leaders meeting would be a failure and Japan would be responsible for that failure," US deputy trade representative Richard Fisher said.

Razak would only say that talks were still ongoing and reiterated that Apec economies remained committed to send a signal in KL that they were not moving backwards on their

liberalisation endeavours.

Other delegates described the Japan issue as an "uphill task" and predicted that Japan would come under heavy firing from other advanced economies unless the issue was settled before the ministerial meetings begin.

The KL summit will also see the inclusion of three new members in Russia, Peru and Vietnam, which some core Apec members have been not too happy to note.

Apart from the increasing number of chairs to the roundtable, there appears to be some distress and worry that Russia's inclusion in particular may change the character of the forum.

The KL summit is also expected to hammer out a blueprint on electronic commerce for an action plan on how to promote business electronically.

Delegates say the idea, mooted by Dr Mahathir at the last summit in Vancouver last year, was likely to start with the need to create the infrastructure for electronic commerce before a real framework could be introduced.

If the blueprint is adopted, the next move may be for the economies to make amends to their laws to enable cybermalls to come on websites within the next couple of years.

But more interestingly, everyone will be watching whether some Apec economies will make a second attempt after a two-year lapse to introduce security in the forum in the wake of rumblings about the nuclear arms race between India and Pakistan.

Some economies have been sending out feelers that Apec must address security since economic stability hinges largely on security in the region.

The only problem is that neither India nor Pakistan are in Apec. It seems only logical to leave security to the Asean Regional Forum (ARF) on security since India and Pakistan sit in the discussion.

Taiwan foreign ministry's department of international organisations director-general Andrew Hsia went on record to say that Taipei would support inclusion of security in Apec if there was a proposal and made a shallow reference to the situation in the Taiwan Straits.

Observers, however, say it is unlikely that the leaders will have time at all to dwell into issues other than the financial and economic crises.