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Apec chugs along despite the politics

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THE Apec meeting began with many observers questioning the organisation's relevance, and while it is an economic meeting, political turmoils seemed to threaten to overshadow the event.

Indonesian President B.J. Habibie's attention was understandably occupied with the violent riots in his own country. United States President William J. Clinton was more interested in bombing Iraq and finally getting rid of President Saddam Hussein.

Clinton's replacement, the uninformed Vice-President Al Gore, was more interested in campaigning for the American presidency than helping with the critical economic issues at hand.

Despite these interferences, the leaders of Apec managed to get down to business. Their work at this meeting was perhaps the most daunting in the organisation's history.

Many of its members were still suffering the effects of the financial crisis. The long-awaited Early Voluntary Sectoral Liberalisation programme seemed doomed to fail as the US, Australia and New Zealand condemned Japan for not participating in two - fisheries and forestry - of the nine sectors identified.

The EVSL was agreed to last year in Vancouver. Its aim is to cut tariffs in environmental goods and services, fish and fish products, forest products, medical equipment and instruments, telecommunications mutual recognition arrangement, energy, toys, gems and jewellery, and chemicals.

Despite the differences, the Apec ministers agreed to submit the EVSL package to the World Trade Organisation. The EVSL programme is the first substantive initiative on trade and investment liberalisation for the grouping in its 10-year existence.

At the joint Press conference at the end of the ministerial meeting, Minister of International Trade and Industry Datuk Seri Rafidah Aziz said the move would mean broadening participation in the tariff element beyond Apec.

Having the package go through the WTO process will enable other economies like Europe to join and liberalise the nine sectors.

Japan's response was that the WTO was a far more appropriate body to reach a binding trade agreement.

Rafidah said while Japan had reservations about cutting tariffs on forestry and fisheries, it could still participate in trade facilitation and economic and technology co-operation.

Rafidah explained that US legislation required Europe had to be on board as well for it to liberalise all nine sectors.

"So even if we had the perfect package, it is just going to be academic for the US because they need a critical mass of countries. So, the agreement was face-saving for the US as well," said Rafidah.

After two days of discussions, the leaders of Apec welcomed the work undertaken to strengthen the international financial systems and the proposals made to improve transparency and accountability.

"We believe that there would be considerable value in continuing this work in a process involving both industrialised and emerging markets economies. We agree that a forum such as an expanded G22 would be appropriate for this purpose," states the Apec Leaders Joint Declaration.

Prime Minister Datuk Seri Dr Mahathir Mohamad explained the deferment to the G22 was because Apec could only take concrete measures on issues

affecting it, but this issue involved all countries.

"Apec cannot just decide on something and get the rest of the world to accept its decision," said Dr Mahathir.

The G22 brings together the "rich nations" of the G7 and the developing countries of the G15.

While no concrete resolutions were forthcoming on solving the regional financial crisis, the leaders "resolved to work together to support an early and sustained recovery in the region".

The leaders are committed to pursuing a co-operative growth strategy and welcome Japan's financial package of US\$30 billion (RM114 billion) under the Miyazawa initiative and the US\$5 billion proposal announced by Japan and the US.

Japan's Miyazawa initiative was proposed before the meeting. It seeks to stabilise the economies of South Korea, Malaysia, Thailand, Indonesia and the Philippines.

The country has said the aid would not be linked to conditions extraneous to economic considerations.

The second proposal, known as the Asian Growth Recovery Programme is to help Asian countries affected by the crisis to obtain financing to revive their banking systems and remove obstacles to restructuring.

Under the AGRP, the two countries - working with the World Bank and the Asian Development Bank - would mobilise US\$5 billion for countries who have implemented comprehensive restructuring programmes.

While critics will say the organisation has abdicated its responsibilities to the WTO and the G22, the leaders believe that Apec has moved forward and taken the right steps to overcome the daunting tasks laid before them.

New Zealand Prime Minister Jenny Shipley, who will play host to next year's meeting, hopes there will be further progress towards trade and investment liberalisation, a credible Apec response to the economic crisis and broader support for the organisation.

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