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## Europe stays true to its promise

EUROPE'S determination to make its presence felt in Asia after the second Asia-Europe Meeting (Asem 2) in London did not come as a surprise. On March 20, this newspaper carried an editorial predicting that when Mr Derek Fatchett, the personal emissary of British Prime Minister Tony Blair, returns to this region after Asem 2, Asia can expect its European friends to be more forthcoming with their support for the region's fight against the current financial turmoil. Britain had vowed to use the Asem 2 to lift the profile of Europe in Asia and we knew the current EU president would be true to its word.

What came as a pleasant surprise however, was the magnitude of Europe's proposed efforts to promote its interests in Asia. Not only did the European members of Asem show that they understood the problems facing this region but they also extended tangible forms of assistance. The proposed high-level delegation to be sent to Asia, for example, will not be a fact-finding mission but a mission to invest in the countries that have been affected by the crisis. Britain is also coordinating a meeting of the Asem finance ministers to work on an international currency system. The finance ministers are expected to raise matters relating to transparency and regulations in currency markets to ensure stability in the exchange rate mechanism at the spring meetings of the International Monetary Fund and the World Bank later this month. The ministers will also stress the need to monitor short-term capital flows.

At the same time, the Asem 2 also saw the establishment of a STG25 million (STG1 = RM6.21) Asem Trust Fund. Technical assistance in financial restructuring may not be much but it paves the way for greater cooperation between countries from the two continents in a financial crisis. Though the money involved is not much, the quality of assistance is what matters. The City of London, for example, has the expertise to help countries in the region trade in their own currencies, an idea that has been scoffed at by many economists and analysts as being unlikely to have an impact on the region's recovery efforts. It is also possible that Europe and Asia could be cooperating closely to see how the introduction on January 1, 1999 of the euro, the EU's single currency, could be of some help in stabilising the value of currencies in this region.

The Malaysian delegation led by Prime Minister Datuk Seri Dr Mahathir Mohamad has more reasons than just these initiatives to be pleased about the outcome of the Asem. Europe's recognition of the need to regulate currency trading and moves to consider ways to implement them is a vindication of the Malaysian stand and that of Dr Mahathir, who had repeatedly raised the role played by currency speculators and the unregulated trade in currency.

At the Asia-Europe partnership conference in London, Dr Mahathir had told the participants that any financial crisis has a widespread social and economic impact. He said the disciplining process by market forces has made 20 million workers lose their jobs, the rest have lost three-fourths of their effective income, their businesses, big and small have been bankrupted; their people have no food or medicine, and they have been forced to migrate to neighbouring countries which unfortunately are no better off than their own. In addition, the actual loss in monetary terms caused by the disciplining exercise can be gauged from the Malaysian example. The ringgit has been devalued by approximately 60 per cent. Since

the Malaysian gross national product was about US\$100 billion (US\$1 = RM3.75) before the devaluation it is now reduced to about US\$40 billion.

In view of this, the Asem leaders stressed the importance of complementarity between economic and social policies. They agreed to adopt a balanced approach in addressing the socio-economic impact and bring their currency speculation concerns to the IMF and World Bank. In this regard, the EU has gone one step ahead of the US or Japan. Britain, as the host of Asem, deserves to be congratulated for this success. Europe, which had indeed seemed rather quiet since the turmoil broke out in July, is now clearly visible and audible in this part of the world.

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