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Europe's aid pledge paves way for stronger Asem ties

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LONDON, Sun: Prime Minister Datuk Seri Dr Mahathir went home yesterday evening a satisfied man. So were the other nine Asian leaders who, together with Dr Mahathir, attended the second Asia-Europe Meeting (Asem 2).

They came to the two-day meeting without much expectations but achieved more than what they had bargained for, including acceptance of the need for currency regulation to prevent the recurrence of the Asian financial crisis.

The British initiative of the STG25-million (STG1 = RM6.30) Asem Trust Fund for, among others, technical assistance in financial restructuring may not be much, but it paves the way for greater cooperation between countries from the two continents in financial crisis.

True to its words, the British Government secured Europe's commitment to support and assist the Asian economies in crisis.

Britain went to the extent of getting a gentlemen's agreement among Asem members to hold back any other issues which would be distracting to discussions pertaining to the currency crisis.

This includes the thorny issue of membership which has been put on hold until the next meeting.

Some Asian and European countries have been knocking on Asem's doors for admission.

The British Government had, from the start of Asem 2, where British actor Jeremy Irons - whose voice gave character to "Scar" in Disney's animated movie "The Lion King" - narrated a short video on Asia-Europe relations to British Prime Minister Tony Blair's final press conference, set the tone for the meeting.

The leaders were united in their stand to pursue economic cooperation in resolving Asia's 10-month-old financial crisis as they feel that the crisis is not just an Asian problem, but the world's.

Dr Mahathir expressed satisfaction over the conduct and outcome of Asem 2 at the end of the meeting. "Before I came, I was asked of my expectations for Asem 2. I was fairly cautious and I said I do not expect much.

"... I found that there is depth ... good discussions which revealed the attitude of the members (on the financial crisis). We were able to make our point particularly with regards to the financial situation. So I can say that I am fairly satisfied," he said.

Dr Mahathir, who had been the lone voice calling for regulations on currency trading, said the European leaders agreed on the need to bring discipline to the national and international financial practices.

To this end, the Asem finance and trade ministers will be asked to define the practices that need to be corrected and formulate a more stable financial system.

Dr Mahathir said, according to the International Monetary Fund (IMF) managing director Michel Camdessus, funds including hedge funds and from the banks that can be used for currency trading are some US\$20 trillion (US\$1 = RM3.78).

"If this is leveraged 20 times, no country in the world can fight back," he said.

As such, Europe cannot possibly abandon Asia in times of need as the 15 European Union members have much at stake.

Together, they account for some 30 per cent of the IMF quota, 26.9 per cent of the subscribed capital of the World Bank and 14 per cent of the subscribed capital of the Asian Development Bank (ADB).

Europe has also actively supported and agreed to the IMF packages and programmes for countries affected by the crisis and making significant amounts available through the programmes.

They also pledged bilaterally US\$5.9 billion to the second line of defence for South Korea, in addition to those already given by Japan (US\$10 billion) and the US (US\$5 billion).

European banks have an estimated loan exposure of US\$350 billion in Asia, greater than the exposure of the US and Japanese banks combined.

In a separate financial statement issued at Asem 2, the leaders called for continued reforms, both in Asia and within the international financial system, to overcome the economic and financial crisis in Asia.

Recognising multilateral liberalisation as the most effective means of overcoming protectionist measures, they also pledged to resist any such measures and to maintain the current level of market access.

They called for strengthened capacity of the IMF to respond to financial difficulties, enhanced and more transparent global IMF surveillance, and strengthened cooperation, regulation and supervision in financial sectors.

In addition, they called for the IMF and international regulatory bodies to examine ways to improve transparency in financial and capital markets, including the possibility of monitoring short-term capital flows.

Blair, describing Asem 2 as a "remarkable" and "excellent" meeting, also said that Europe will encourage high-level business delegations to Asia to further promote trade and foreign direct investments into the region.

In this aspect, Britain will send at least two high-powered delegations to Asia before the first half of the year.

One will be led by its Minister of State for Foreign and Commonwealth Affairs Mr Derek Fatchett and the other by the Chancellor of the Exchequer, Gordon Brown.

"A great deal of work (needs to be done)," Blair said at the closing ceremony.

Foreign Minister Datuk Abdullah Ahmad Badawi concurs with Blair, saying that there is enough on the plate for Asian and European countries to consolidate cooperation especially at the economic level to resolve the Asian economic financial crisis.

The leaders have also commissioned an Asia-Europe Vision Group to develop a medium- to long-term vision to help guide the Asem process into the 21st century. The Vision Group will hold its first meeting in Cambridge next month.

The Group will submit reports of their meetings to the Asem foreign ministers' meeting in Germany next year, which will then make recommendations for consideration of the leaders who will meet during Asem 3 in Seoul, South Korea in the year 2000.

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