

23/05/1998

The value of constructive criticism

AS THE custodian of the global trading system, the World Trade Organisation's (WTO) views count. With experts and economists under its wing, any remarks made by the body carry weight and influence. That the WTO was casting doubts over Asia's ability to trade its way out of the present economic crisis has put nations of the region in a fix. If trade cannot help them restore their economies, what can? Unfortunately, the WTO has left its remarks about Asia at that.

According to the WTO provisional data released in Geneva this week, five key nations of Asia reported a huge slump in first quarter imports against a "tiny" rise in exports. Total imports of Malaysia, Indonesia, Thailand, South Korea and the Philippines plunged 30 per cent during this period against a year ago. Exports from the five, meanwhile, had risen just 2.5 per cent from January to March compared with 1997's first quarter. Based on these statistics, WTO chief economist Patrick Low concluded that the future for Asia remained unpredictable. Low had missed an important point: that these countries had taken measures to deliberately reduce unnecessary imports due to their weakened currencies and to cut spending. Instead he saw the data as suggesting there was no turnaround so far for the affected economies. He reckoned that "perhaps we should be realistic about how quickly a turnaround will happen".

The whole spirit of this disclosure by Low and the WTO is inconclusive, pessimistic, and even destructive. The WTO could at least have tried to be constructive in its comments. If these five countries will not recover by continuing their trading activities, what should they be doing to achieve a quicker turnaround? These are member economies of the WTO, four of them key members of the Association of South-East Asian Nations (Asean) - one of the most dynamic economic groupings before the July crisis. Malaysia and the other Asian nations would be very interested to know what the world body has to say about this. As the WTO monitors the world trading system, any proposal or suggestion from the world body would definitely be taken seriously by the countries in the region.

The WTO has a strong influence over the developments of the world trading system. Its negative views on Asia's recovery from the present slump can, to a certain extent, further dampen investors' confidence towards the region. This would be very unfortunate for countries like Malaysia, whose economic fundamentals are strong, but was dragged into the doldrums by the lack of foreign investor confidence in the country. Malaysia has forecast next year as the time when the country's economy will regain in strength and resume its journey of favourable growth. But this was based on many assumptions including the participation of foreign investment in the country. Malaysia has even initiated various belt-tightening measures and beefed up several policies to strengthen its banking and financial systems to speed up the recovery process. For this recovery to realise and run its course smoothly, the element of confidence in Malaysia must be there. After all, business and investments are all about confidence. A country may have all the necessary infrastructure, a conducive investment climate and skilled manpower resources, but all these would mean very little if there is no element of confidence in the nation.

Too many uncertainties already exist in the region. Economies affected by the financial crisis need constructive ideas and proposals to complement the measures that they have taken. Trade, as Prime Minister

Datuk Seri Dr Mahathir Mohamad stressed at a meeting with foreign investors in Cairo recently, will be the region's salvation. Malaysia has initiated moves to barter or counter trade with other developing countries as a means to reduce its dependence on certain currencies and help these countries recover. Several Asean countries have also agreed to start trading using their own currencies. The WTO and its chief economist should spend more time studying how they could help make these measures successful.

(END)