

25/11/1999

A welcome show of solidarity

CHINA was the first to support the establishment of the East Asia Economic Caucus, when it was still called East Asia Economic Grouping, at a time governments in the region were cautious about backing ideas which might not go down too well with the one remaining superpower in the new post-Cold War era. The expression of support in Kuala Lumpur this week by visiting Chinese Premier Zhu Rongji for the proposal to set up the East-Asia Monetary Fund proves once again its readiness to encourage and embrace efforts aimed at strengthening and safeguarding the region's economies. It is a fearless show of solidarity that deserves to be emulated.

Beijing's conduct during the Asian financial crisis since 1997 is proof of its sincerity in wishing the region well. Its resolve not to devalue the renminbi, in particular, has done more to help its crisis-hit neighbours than all the bailout packages and the debatable prescriptions of the International Monetary Fund. A devaluation of the Chinese currency would have caused a lot more difficulties for countries like Thailand, South Korea and especially Malaysia, all of which were banking on higher export revenues to finance their economic recovery. The renminbi's stability helped create an environment where the currencies of the neighbouring countries would not come under more pressure other than from the rogue currency traders. Beijing's swift and firm response to brief attacks on its own currency by these same traders also gave a much-needed boost to the confidence of governments in the region, including Malaysia, in dealing with the challenges. The effectiveness of Beijing's own capital control policy must have also, to a certain extent, inspired Malaysia to introduce its foreign exchange rate controls in September 1998.

The outside world, however, views China differently and often in a less friendly manner. The fear of "Yellow Fever" still survives in some enclaves of the Western civilisation. There is a theory that the negative perception of the West towards China is a deliberate ploy aimed at influencing countries in the region to keep its distance, even though China has never once exhibited aggression against its neighbours. The West is worried, some say, because China is not just an economic power but also a nuclear one, has the world's biggest population and a correspondingly huge army, and does not know how to kow-tow to western demands. With regular double-digit economic growth rates and a place in the United Nations Security Council, China is indeed a nation that has to be reckoned with. The support it has been getting from its neighbours in its push to be included in the World Trade Organisation shows that China has made some useful friends as well.

Given all these, Malaysia can expect some countries to strongly oppose the EMF now that China has expressed its backing for the idea. That happened when Beijing supported Prime Minister Datuk Seri Dr Mahathir Mohamad and his initiative to establish the EAEC. It is not excessive to speculate that the opposition stems primarily from the realisation that the EAEC, and now the EMF, could provide opportunities for China to assume a bigger role in the region. While Malaysia and other countries in the Association of South-East Asian Nations would not be averse to the idea, it must be quite disconcerting for many governments in the industrialised world.

China alone will not realise the EMF which, like the EAEC, is meant to

help governments in the region forge a more solid foundation for economic cooperation and to safeguard their interests. Other countries in East Asia must stand up to let it be known that they would, at least, consider the potential of the proposed fund and take part in the process to determine the shape it will take. Malaysia did not propose the EMF for its own benefit but for the collective well-being of nations in the region. And to bring it into effect calls for collective effort. That or Asia can continue to let outsiders decide the future of its economies and their people.

(END)