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The urgent task in Hanoi

THE timing of the Asean Finance Ministers meeting in Hanoi is important. As things stand, the wheels of justice have not progressed beyond the call for a change in the international financial architecture.

International discussions led by developed nations have proven to be sterile. As observed by International Trade and Industry Minister Datuk Seri Rafidah Aziz recently, "The ones who can do something about (it), the ones with the expertise and experience are not doing anything. They are not moving anything other than talk about the need to change the architecture." With Washington's unilateralism ruling international diplomacy, it is unlikely that initiatives for reforms by Japan or any of the social-democrat European countries will succeed. Therefore, the case for greater regional economic co-operation and financial integration has never been greater than now when globalisation, in its present form, threatens to subjugate less developed countries and whip them into the doleful march to poverty.

This has been recognised by Asean leaders who had called for stronger macro-economic and financial co-operation within the group at the Asean summit last December. This does not mean that the region divorces itself from the rest of the world. What it wants is economic solutions that are less doctrinaire, more Asian and more flexible. The importance of the Hanoi meeting lies in the fact that it will postulate a surveillance system to avert the recurrence of similar financial crises.

This necessitates the sharing of information on capital flows in the region, the formation of some regional monetary arrangements and some kind of circuit-breakers to arrest the boom-bust volatility in regional financial markets. Of course, critics will argue that only global governance of the financial system will prevent the recurrence of the crises. But awaiting action from the neo-liberals, dominating the Group of Seven industrialised nations and the Bretton Woods institutions, to orchestrate such governance will be futile. If things go to plan, the surveillance system will be able to limit the risks and curb the seismic volatility of short-term capital flows in the region.

The study into the feasibility of a common currency as part of a plan to promote economic recovery and free trade in the region, as previously proposed by Prime Minister Datuk Seri Dr Mahathir Mohamad, should be pursued. Critics have scoffed at the idea of an Asean currency, citing the differences in the economic and trade structures of member countries as the main obstacles. These differences may be bridged over time, particularly with ongoing efforts for greater financial integration and economic co-operation. But for now, the use of a common basket of core currencies, with a reasonable target currency band to allow each currency to fluctuate, can be part of the early warning system to ease currency volatility. It is also worthwhile, as proposed by some regional economists, to explore a system for co-ordinated intervention to stabilise currency exchange rates.

Regional economic co-operation in the post-crisis period must involve greater trade dependence on one another and other developing countries - bypassing dollar-based flows as far as possible. There is no alternative for Asean but to pursue a bold course of action in concert. Unity on the economic front will bring greater prosperity to the region.

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