

06/11/2000

Apec agenda must not ignore developing economies

Hardev Kaur

TWENTY-ONE member economies of the Asia Pacific Economic Cooperation (Apec) meet in Bandar Seri Begawan at a time when the Asian economies are on the road to recovery from the financial crisis.

Many of them have registered positive gross domestic product growth this year and many analysts forecast even stronger growth for the Asian economies than the official government forecasts.

But at the same time, there are a lot of uncertainties and dark clouds on the horizon of the world economy. Oil prices are on the uptrend and are at its highest levels in more than a decade. There is uncertainty in the currency markets with the free fall of the euro and questions are being raised as to the benefits and disadvantages of globalisation, the new economy and information technology (IT) for developing countries.

Apec member economies account for 60 per cent of global economic output and some 46 per cent of global trade. Thus matters relating to trade have been high on the agenda of Apec meetings. However, since the financial crisis in 1997, meetings have been dominated by financial rather than trade issues.

The meeting in Brunei in mid-November, the last for US President Bill Clinton and the first for Russian President Putin, must consider what is being done to protect developing countries from the devastation of unfettered currency flows and the destabilising impact of hedge funds as well as measures for financial reforms. The crisis may be over but the world financial architecture is not prepared to deal with another crisis of similar proportions and nature.

Mr Lawrence Greenwood, US senior official for Apec, says he does not see another financial crisis in Asia. In a Worldnet Interactive Programme he said, "Overall, actually (it is) a pretty good picture right now (in Asia)."

Stressing that this was the result of "good policies" he said, "sustained recovery will require continued structural reform". It needs to be pointed out that the need for structural reform cannot be limited to the Asian countries or just for developing countries. The world financial system and the multilateral and mutinational institutions need reform and restructuring as well.

With the threat of a financial crisis having been averted following the 1997 financial crisis, the urgency for such reforms seem to have faded. There is foot dragging on the reforms of the international financial architecture. These cannot wait as the world cannot afford another untold destruction and damage.

Apec was impotent during the Asian crisis and this caused many to rethink its relevance. The Association of South East-Asian Nation (Asean) members together with China, Japan and South Korea, all Apec members, have agreed to a swap arrangement under which countries should be able to borrow from each other through short-term swaps of currencies in times of crisis. The proposed Asian Monetary Fund is beginning to see some life.

Even so, concerns of developing countries and the damage and destruction caused to the poor economies and their people by the currency speculators and unfettered financial flows will have to be addressed.

Others are moving to setting up free trade arrangements of their own. Japan is negotiating free trade with Singapore and Mexico, while Singapore is working on this front with Closer Economic Relations countries -

Australia and New Zealand.

Trade liberalisation and progress of the Bogor goals which set trade liberalisation datelines of 2010 for developed members and 2020 for developing countries are definitely on the agenda at the Brunei meeting.

Greenwood says the organisation's efforts on the trade front will continue to be "building the consensus for launching of the new round". The US has pushed for the launch of a new round at every opportunity. Attempts in Seattle for the launch of a new round ended in disaster with the street protestors not only disrupting the meeting but also bringing attention to the ill effects of globalisation.

Malaysia, and Prime Minister Datuk Seri Dr Mahathir Mohamad - who has been vocal on the ill effects of globalisation on developing countries - has been asked by the host, Brunei, to articulate the concerns of the poor countries.

The new economy and IT, oil prices and its impact on the world economy will certainly feature during the meeting in the oil-rich Sultanate - Brunei. Apec, with both producers and consumers as members, has been concerned with the impact of high oil prices on the economic recovery in Asia as well as its impact on developed economies.

Apec which counts both developed and developing countries as its members must pay attention to concerns and views of its poorer members. It must also be heard and the agenda must be balanced and its goals realistic.

Many developing members are grappling with the aftermath of the crisis and to push the agenda on further trade liberalisation, globalisation and the urgency to push for a new round on these is to ignore realities of the situation and views and problems of the poor.

There is still a lot of scepticism over Apec among members and especially among developing economies. Increasingly, it seems that Apec is being led by the US agenda. The world is a dramatically changed place and so is the global economy. It would be detrimental - to the organisation as a whole and to the individual economies as well - if views and concerns of its developing members are not taken into account or even ignored.