

19/07/2000

Asia need not hope for much from G-8 meet

Hardev Kaur

FOR the first time in seven years, the world's richest industrial nations and Russia (G-8) meet in Asia, a region that is recovering from one of the worst crises in post world war history. But the Asians are not very hopeful about the outcome of the meeting nor can they expect much help for their economies.

Prime Minister Datuk Seri Dr Mahathir Mohamad is "not hopeful at all" about the outcome of the meeting, a view shared by Japan's former vice finance minister for international affairs Mr Eisuke Sakakibara, better known as Mr Yen.

Sakakibara in an interview said: "I don't think anything concrete will come out of it. They will probably leave with some abstract agreement on the importance of IT (information technology) and some statement on the digital divide or IT revolution and a statement that something needs to be done to bridge the digital divide."

As it happens, the finance ministers who met in Fukuoka, Japan on July 8 and 9 were "patting each other on the back" for the "improved world economic scenario". With the "robust" US economy beginning to show signs of slowing down, Europe picking up as US heads for a "soft landing" and the Japanese economy expanding for the first time in three years, the mood of the financial officials from the seven leading industrial nations was clearly jubilant.

There were "no controversial topics" such as the strength of the yen, on the table, which was the focus in the run-up to the last three G-7 meetings. Good "global prospects" and, according to US Treasury Secretary Larry Summers "it's striking to consider how different the world looks" after two years of crisis, developing countries can be assured that their plight will not be a priority.

The G-8 comprises the US, Japan, Germany, the UK, France, Italy and Canada, with Russia invited to the meeting during political discussions.

The Asian financial crisis is now a distant memory and the threat of a global meltdown has been removed. Apart from IT, the new technology that can "increase growth in our economies" with "creative destruction", the focus of the G-8 is expected to be "the challenge of keeping global expansion from igniting inflation".

Then again, with the US facing elections this November, and a new Japanese Government in rule, there are unlikely to be major policy decisions. Some observers suggest that the leaders could be "in a holding position".

Even before the leaders have arrived for the summit at the seaside city of Okinawa, their finance ministers have issued blend statements. The concerns of developing countries and those of the crisis-hit countries have been ignored.

The finance ministers rubber-stamped many of the reports which ranged from the information technology revolution and improving debt relief for the poorest countries to putting pressure on offshore financial centres or tax havens for being "uncooperative".

With the Asian economies regaining strength, some of these back to pre-crisis levels, the urgency for reform of the international financial architecture and the threat of the contagion spreading to the developed countries has blown over. This has removed the need for closer scrutiny of the global financial and economic organisations which are not only

outmoded but also lopsided in their representation.

While the finance ministers claimed that they were "turning a page on abuses that had distorted the global economy", AFP quotes Mr Hiroshi Kurbayashi, economist at Barclays Capital, as saying: "... it was all a bit superficial and we didn't really see anything substantial or even that new emerge.

"The real point was not even there ... and that is whether to create an Asian Monetary Fund."

The question of debt relief for the heavily indebted poor countries (HIPCs) was also brushed aside and Russia, which had hoped for relief on its US\$100 billion debt and will attend the meeting in Okinawa, was told to improve its economic reform and continue working with the IMF. The clearest statement on the debt issue came from Mr Laurent Fabius of France who is reported to have said that "cancelling the debt is not on our minds".

After much fanfare on debt relief for HIPCs, only five of the 40 countries qualify and had 35 per cent of their debt cancelled. In Africa, 40 per cent of government revenue is being allocated to debt servicing, totalling US\$350 billion.

The cosy relationship among members of the elite Club of Seven continues. Calls by developing countries, including the G-15, G-77, the Non- Aligned Movement and the Organisation of Islamic Countries, are likely to end with bland statements of "emerging consensus".

Their concerns about globalisation, the destabilising activities of hedge funds and currency speculators, the widening technological gap between the rich and the poor countries and the need for developing countries to have a greater say in the decision-making process in multilateral and multinational organisations will receive little attention.

There is no alternative to self-help. Dr Mahathir said in Tokyo recently that Asia's future depends on the Asians themselves. "It must not follow. It must work together with Europe and America. It must give voice to its views. It must demand respect."

(END)