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Little hope of cheer from G8 meet

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FOR the first time in seven years the world's richest industrial countries meet in Asia, a region that experienced one of the worst post-world war crises. But Asians are not very hopeful of the outcome nor can they expect much help for their economies.

Prime Minister Datuk Seri Dr Mahathir Mohamad is "Not hopeful at all" of the outcome of the meetings, a view shared by Japan's former Vice Finance Minister for International Affairs, 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 of digital divide and/or IT revolution and a statement that something needs to be done to fill in the digital divide and gap".

As it happens, the finance Ministers who met in Fukuoka last weekend (July 8/9) were "patting each other on the back" for the "improved world economic scenario".

With the "robust" US economy beginning to show signs of slowing, Europe picking up as the US heads for a "soft landing" and the Japanese economy expanding for the first time in three years, the mood in Fukuoka and among the financial officials from the seven leading industrial nations was clearly jubilant.

There are "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. With 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.

G-7 groups the US, Japan, Germany, UK, France, Italy and Canada. Russia is invited to the meeting during political discussions.

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

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

Even before the leaders Summit at the seaside city of Okinawa, their Finance Ministers issued bland statements. The concerns of developing countries and those of the crisis hit countries were ignored.

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

With the Asian economies recovering and regaining their strength, some of them back to pre-crisis levels, the urgency for reforms of the international financial architecture and the threat of the contagion spreading to the developed countries has blown over.

This has removed the urgency and the need for closer scrutiny of the international financial and economic organisations, which are not only outmoded but also lopsided in their representation.

While the finance ministers claim that they are "turning a page on abuses that had distorted the global economy", AFP quotes Hiroshi Kurbayashi, economist at Barcalys 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 (RM380 billion) debt and will attend the meeting in Okinawa, was told to improve its economic reforms and continue working with the IMF. The clearest statement on the debt issue came from 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 revenues are 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 (OIC), are likely to end with bland statements of "emerging consensus".

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

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

For this Sakakibara says regional co-operation should be stepped up. In addition to co-operation in financial matters, including the currency swap arrangement, hammered out in Chiangmai recently, "...we need to push the trade and direct investment negotiations. We could have some kind of intra-regional trade round and liberalising trade within the Asian region".

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