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AMERICAN-BUSINESSMEN

AMERICAN BUSINESSMEN CAUTIOUS IN ASEAN

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WASHINGTON, Oct 8 (Bernama) -- The mood is "cautious" among American corporations with interests in Southeast Asia following the Sept 11 suicide attacks by hijackers on the World Trade Centre and the Pentagon.

With the American economy in recession and America at war against terrorism in Afghanistan beginning Saturday, economic forecasters predict a gloomy outlook ahead.

The International Monetary Fund (IMF) forecasts lower economic growth in the Asean region following the Sept 11 attacks, but analysts believe the predictions are likely to fall further given the expected negative impact that the attacks will have on the US and globally.

The IMF predicts that Malaysia's real gross domestic product (GDP) growth will weaken to 1.0 percent in 2001 from a strong 8.3 percent in 2000, but improve in 2002 to 4.8 percent.

Indonesia's growth is expected to slow to 3.0 percent in 2001 but improve to 4.3 percent next year, Thailand from 2.0 this year to 4.0 percent next year, while Singapore from a sluggish -0.2 percent this year to a stronger 4.0 in 2002.

President of the US-Asean Business Council, Ernest Z. Bower, in a discussion with journalists here late last week, said corporations already invested in the Asean region "are not pulling out" en masse because they "know how the system works," but new or potential investors were very concerned about the presence of Islamic extremists and threats against Americans in countries like Indonesia.

Indonesia, experienced a massive outflow of foreign direct investment (FDI) by US\$2.7 million (US\$1 = RM3.8) in 1999 and US\$4.6 million in 2000. Philippines, Singapore, Thailand and Vietnam saw a drop in FDI. Malaysia, however, experienced a surge of FDI from US\$3.5 million in 1999 to US\$5.5 million in 2000. Asean collectively has seen a decline in the absolute level of FDI flows since 1997.

According to a United Nations Conference on Trade and Development (UNCTAD) data released in September, total FDI inflows to Asean were less than half the level seen in 1997.

Asean's share of FDI as a portion of the total FDI going into developing Asia continues to fall as well, as investment dollars flow primarily to China and Hong Kong.

In addition, multinationals continue to invest in Hong Kong to position themselves for China's entry into the World Trade Organisation (WTO). According to the US-Asean Business Council, while US exports to Asean rose modestly during the first seven months of this year compared with the same period last year, the quarter-on-quarter data shows that US exports are falling.

"It is thus likely, in the wake of the terrorist attacks, that total US exports to Asean this year will fall short of the level reached in 2000."

On the import side, the slowing US economy is reflected in a 6.0 percent drop in US imports from the region from US\$48 million (Jan-July 2000) to US\$45 million (Jan-July 2001).

The Council also noted the extremely high ratio of foreign trade to GDP among the Asean economies.

In the cases of Singapore (289 percent) and Malaysia (196 percent), it is well in excess of 100 percent, while in most other Asean countries, it is in the high double-digits.

Thus, the slowdown in world economic growth has "obvious implications" for these export-dependent economies, the council said.

Malaysia, in the first seven months of this year saw a drop by 7.0 percent in its exports to the US to US\$12.9 million from US\$3.8 million during the same period last year.

US exports to Malaysia also dropped by 7.0 percent during the same period from US\$6 million last year to US\$5.6 million this year.

Meanwhile, Bower said he would give the current Bush administration a "B+" in its engagement with Asean nations.

He said that the rating could be improved to "A" if the administration get politically engaged with more leaders of the region.

Bush had met with Prime Minister Goh Chok Tong in June and President Megawati following the September attacks in Washington.

Bush spoke with Prime Minister Datuk Seri Dr Mahathir Mohamad over the telephone last week, and the two leaders plan to hold bilateral discussions in Shanghai at the Asia Pacific Economic Cooperation (Apec) leaders summit in November.

Bower said that he wanted to see stronger economic relations between the US and Asean as established between the regional grouping and European nations, and also the Asean PLUS 3 with China, Japan and South Korea.

"The US-Asean relationship has not kept pace and needs to be strengthened," he said. -- BERNAMA

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