

29/10/2001

Regional cooperation even more relevant now

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HONG KONG: September 11 is viewed as the reference date for every international event and its impact on the daily lives of people, politics and economics world wide.

The World Economic Forum's (WEF) East Asia Summit in this former British colony is no different. The organisers have, following the attacks, changed the theme of the Summit from "Reversing the Downturn: Preparing Asia's Growth Agenda" to "Responses to the Recession: Regaining Stability and Growth in Asia".

According to Frank-Jurgen Richter, WEF's director for Asia, the world has moved from a mere slowdown in IT demand to a broad downturn.

And now, with the loss of confidence after September 11, the world is experiencing a full blown recession - the first in the new millennium. And world trade is coming to a "standstill".

With the exception of China, which is experiencing robust growth, the major economies - the US, Japan and Europe - are in the throes of a recession. The attacks in New York and Washington have dealt a body blow to the world economy, which is slowing down faster than earlier predicted.

The United Nations has trim its forecast for global growth by a full percentage point to 1.4 per cent. For Asia the forecast is that its gross domestic product (GDP) will be sliced by 2.4 percentage points to 1.7 per cent - excluding Japan and China - this year. Japan's economy will shrink by 0.5 per cent. China remains the only economy that is forecast to register a robust growth of 7.5 per cent.

Hong Kong is not spared. Economists polled by Reuters see the economy contracting 0.3 per cent in real terms this year as exports decline even more following the attacks on the US.

Its budget deficit is forecast to balloon to some HK\$40billion (HK\$100 = RM49.69) to HK\$50 billion for fiscal 2001-2002. Part of the reason for the widening budget gap is attributed to the HK\$15 billion off-budget package announced by chief executive Tung Chee-Hwa earlier this month.

Hong Kong's economy is also affected by the slowing global commerce. The World Trade Organisation (WTO) has revised its forecast for global trade from 12 per cent last year to just 2 per cent this year.

Economies such as Singapore and Hong Kong are particularly affected by this downturn with expectations of double digit down turn in both import and export figures for Hong Kong. Singapore is in recession, registering a negative 5.6 per cent GDP in the third quarter of this year.

Regional cooperation and increased intra-regional trade should be encouraged and stepped up. This is "an obvious direction to take", according to Prime Minister Datuk Seri Dr Mahathir Mohamad. But many countries in the region tend to go their own way, which weakens their collective strength and potential.

A number of initiatives are in the works. Among them, the bilateral payments and swap arrangements. The leaders of the Asia Pacific Economic Cooperation (Apec) endorsed the regional swap facility or the Chiangmai Initiative, which calls for strengthening cooperative financing arrangements among Asean, China, Japan and South Korea.

A similar financial cooperation was vehemently opposed by the International Monetary Fund and Washington when it was first proposed at the height of the financial crisis in 1997.

Other regional efforts to enhance trade cooperation include the proposal

by Thaksin Shinawatra, Thailand's Prime Minister, for the use of local currencies in settling payments for trade.

With the WTO ministerial meeting scheduled to be held in Doha, Qatar, early next month, the question of world trade and its contribution to generating economic activity and global growth will not escape the business community meeting in Hong Kong this week. The regional economies need to look to the potential and capacity among themselves to take up the slack from the US and Europe.

Obviously "business as usual" is not possible and it is essential to re-engage to make Asia grow again. In this context regional cooperation is vital.

Last week's Apec forum in Shanghai recognised this as well, and the final declaration said "regional cooperation can also be very useful in complementing efforts (by international institutions) to promote financial stability".

The need for regional cooperation and capacity, enhancing and strengthening financial stability continue to be important and relevant for the region even in the wake of the attacks on the US and the need to deal with terrorism and terrorists.

With China set to accede the WTO, after 15 years of negotiations, the focus on its economy and role in the region and indeed the world becomes even more important. With its entry into the world body China, which is already a major world trader, will see its share of world trade rise to 6.8 per cent of world exports and to 6.6 per cent of world imports.

As the only engine of growth in the world economy, China has an important role to play in the region. Beijing's response and action will be crucial in "Regaining Stability and Growth in Asia" and perhaps even beyond.

Thus China is being closely and eagerly watched by the world. Undoubtedly there are a number of issues, including legal and administrative ones, that Beijing will have to adhere to with its entry into the WTO.

The Chinese authorities are already preparing themselves for the new environment. Chinese President Jiang Zemin told his fellow Apec leaders that China will take a more active part in regional and global economic and technical cooperation. "Once inside the WTO, China will strictly comply with universally acknowledged market rules, implement open, transparent and equality-based policies of trade and investment and endeavour to promote multi-directional and multi-level opening up in a wide range of areas.

"A China that enjoys stability, growth and progress will make an even greater contribution to peace and development in the region and the world at large".

In dealing with the challenges for the region, former Philippine President Fidel Ramos has urged that the world "concentrate on the deeper problems of poverty, the income gap, the digital gap, the education gap, the health gap, the opportunity gap and the north-south gap".

Asia has the resources and skills. But these need to be harnessed and put to productive use. The bursting of the IT bubble and the many Asians who have "powered" the new economy are coming back home. Richter says The Asian Diaspora, especially the NRI - Non-Resident Indians - and Overseas Chinese, are one of the largest groups of investors in Asia.

Many of the entrepreneurs in Silicon Valley are Asians and they are interested in feeding back into the region in the form of venture capital and direct investment. These "business angels" can assist the region with advise and expertise including how to grow businesses from the ground up. E-mail:hardev@alumni.KSG.harvard.edu

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