

11/10/2002

Asia's fortune must rest solely on its own self-reliance

Hardev Kaur

EAST Asia, including Asean, must look to the region and be increasingly self-reliant. Asia needs to make Asia work for itself. It may appear to be an "inward looking approach" but that is the way to go in the face of a weak current economic environment and the increasing failure of western models.

The two major trends in the world economy - deflation and rising debt - are not encouraging.

Weak corporate momentum and investment, poor consumer sentiment, rising unemployment in the major industrial countries coupled with the threat of war has put a damper on the global economy. In addition, the financial architecture is predisposed to volatility.

Then again manufacturing in US, a major market for many countries in East Asia, appears to be stalling and the out-look for the corporate sector looks bleak. The Asian countries are vulnerable to US economic ups and down.

They are held hostage to shifts elsewhere and do not have control over their own destinies, future and fortunes.

But this need not be so. Asia has the muscle and the means. The region is home to more than half the world's population, more than half the world's foreign reserves and accounts for almost a quarter of the world's trade. It has the capacity to make a difference but lacks co-operation and coordinated policies.

Thai Prime Minister Thaksin Shinawatra says: "I believe Asia's future rests upon its ability to harmonise the region's diversified characteristics and to develop a sense of unity and, at the same time, interdependence."

Prime Minister Datuk Seri Dr Mahathir Mohamad was even more blunt when he said: "If the Asian economy is to revive, they must look beyond their continent. They must help bring about a return to sanity. They must do so by ganging up against the greedy who are already shaping the world's economy and finance through the World Trade Organisation (WTO)."

Asian leaders have been pragmatic in handling their economies and have moved ahead with restructuring since the 1997 financial crisis. The crisis showed that the region cannot count on others to protect its interests.

The World Economic Forum's East Asia Economic Summit took a leaf from Malaysia's philosophy - that it is up to the region to adopt a model for development that best suits its own circumstances, look after itself and protect its own interests.

The region does not lack the capacity or the capability to think and act for itself. Its leaders implemented indigenous policies that have served the region well in the past. But with the changing environment there is a need to emphasise investments in developing human resources and education for it to remain vibrant and competitive. Intra-regional trade in Asia exJapan has overtaken levels in the North American Free Trade Area and EU trade blocs in the past decade.

According to Tan Sri Dr Noordin Sopiee, Chairman and Chief Executive of the Institute of Strategic and International Studies, intraregional trade in Asia continued to grow despite the Asian financial crisis and the lack of an intergovernmental grouping. Asia's intra-regional trade had grown to 15.7 per cent by year 2000. International Monetary Fund figures show that the level had risen from 7.1 per cent to 13.7 per cent in Asia ex-Japan

between the mid-1980s and the mid 1990s. In the EU, the figure has been flat at 11.8 per cent to 11.3 per cent and in Nafta it rose from 3.1 per cent to five per cent.

The potential and the resources in the region coupled with the positive developments since the crisis suggest "the axis of global growth is about to swing eastwards. This particular Asian upswing will be a driver of growth for the US and Europe rather than the other way around," according to Jim Walker, an economist with CLSA in Hong Kong.

But even as the region shows positive signs, there are areas that cry out for improvement.

Increased productivity is just one of them. Diana Farrell, Director, Global Institute, McKinsey & Company, pointed out that Asian productivity is far below its potential with even Japan only about 65 per cent as productive as the US.

East Asia can and should move forward with a comprehensive approach to deal with the situation. This is not a homogeneous area and there are variations within the region.

Global investment flows have slowed but with gross domestic product growth forecast at 6.2 per cent propelled by the consumption boom "Asia is in better shape than most regions" and it may offer the "alternative engine of growth" to exports for the region's economies.

The region is diverse - politically, economically and socially. The situation is made even more complex with the emergence of China - the 500-pound gorilla on steroids. It offers hope, opportunities and challenges. But this is not new, as China has always been there. The difference now is how the rest of the region views it and adapts to its awakening.

Singapore's Senior Minister of State Ministry of Trade and Industry, Tharman Shanmugaratnam, says just as China is using the WTO as an external device for domestic restructuring, so too Asean should use the emergence of China as an external device for its domestic restructuring.

China's growing dominance in the region means that intra-Asia trade and commerce will grow. The region with China will have to move further and faster as reforms alone are not enough "when the rest of the world is doing the same". Asia with its vast store of resources - natural, financial and human - has the capacity to work for greater regional cooperation, integration, progress and development to benefit its people.

At present, however Asia's progress remains hobbled by poverty and lack of co-operation. "Despite its rich potential, basically we (Asians) are still poor. A rich continent weakened by its poverty."

This cannot and must not continue. The region's progress should not be hampered by a lack of commitment nor for lack of trying. Asia must seek solutions and show the way.

Collectively the region is a force to be reckoned with but divided it can be easily manipulated, weakened and continue to be at the mercy of the "greedy who are already shaping the world's economy and finance".