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Mr Yen: Asia needs Dr M

reports on "East Asia Congress" by Chok Suat Ling; Kamarul Yunus; ASIA needs a political leader like Prime Minister Datuk Seri Dr Mahathir Mohamad who can lead other leaders in the region to form a co-ordinated political will to make Asian regional cooperation a reality, said former Japanese Vice-Minister of Finance Prof Eisuke Sakakibara.

Sakakibara, who was also known as "Mr Yen" when he ran Japan's foreign exchange policy in the 1990s, said Asian regional trade and investment for the past two decades was very much private-sector driven, while Asian leaders were lacking in political will to realise a true Asian cooperation.

He said European integration via the formation of the European Union started with a very strong will, led by a Franco-German coalition. "What lacks in Asia now, despite the progress by the private sector, is a coordinated political will by political leaders.

"What we need is a coordinated political will under the leadership of enlightened leaders like Dr Mahathir," he told participants at the First East Asia Congress here yesterday.

He was speaking at a session on The Case For and Against an Asian Monetary Fund (AMF), chaired by Human Resources Minister Datuk Dr Fong Chan Onn.

The three-day conference is organised by the Institute of Strategic and International Studies.

Sakakibara, who heads Keio University's Global Security Research Centre, said regional co-operation in Asia should proceed simultaneously in trade and direct investment; international financial co-operation and the creation of AMF.

He said the time was now ripe for Asian leaders to see that the proposed AMF and Asian Bond Market (ABM) got through.

When the AMF was proposed by Japan at the peak of the 1997-1998 Asian financial crisis to assist the affected Asian countries, he said Japan failed to "fully consult China".

"Despite the support from other Asian countries including Malaysia and (South) Korea, we failed to convince others like the United States to accept the idea.

"However, six years later, the AMF is strongly supported by China and we can also make progress in the regional free trade and ABM," he said.

Sakakibara said the gravity of global economy was shifting from the West to the East, where since the 19th Century Asian countries had been at the centre of the world economy.

He said China now formed 27 per cent of the global gross domestic product (GDP) and India 15 per cent of the world's GDP.

Therefore, it is crucial that Asian countries form regional co-operation in trade, investment and finance that would benefit the region as a whole.

"We have seen that regionalism develops faster than globalisation. So, we need a regional financial institution to support regionalism," he said.

He said the AMF would be like a lender of last resort that could support the International Monetary Fund (IMF).

Sakakibara said if the Asian region was not consolidated, Asian countries could end up joining the European Union (EU) in the future.

He said EU membership was increasing and by 2007 and beyond it could rise to 30 or 40 countries.

It was also possible that in 10 years' time, Russia would be an EU

member, he added.

He cautioned that if Asian regional cooperation was not proceeding in any meaningful way, the future would see Asia being divided and ruled by the rest of the world.

"We have a choice of joining the EU or becoming part of the US zone, or creating an East Asian community which Dr Mahathir has been advocating for more than a decade," he said.

Sakakibara said two major factors holding back a formation of concerted political will among Asian leaders were the relations with the US and historical legacy.

According to him, the obvious reason is the relationship with the US.

He said many Asian countries, particularly Japan and South Korea, had "an unspoken" relations with the US - both in security and economic process.

The US is an important ally for many Asian countries, but it's about time such a relationship is reviewed.

"As part of a network, we have to maintain friendly relations with the US, but at the same time we have to abandon the way we used to look at the world and do everything through the window of the US.

"This is a delicate issue, a different proposition to make, especially for (South) Korea and Japan, but we need to do that ...the US will eventually understand," he said.

Historical legacy, which causes discomfort in relations between China and Japan as well as South Korea and Japan, is another factor that impedes the co-ordinated political will.

Sakakibara, however, said the current generation in the three countries were willing to let go of the past and cooperate for the future.

He also said China should not be pressured to revalue its currency as it would cause an economic instability in the country and affect regional growth.

He added that a move by the Chinese Government to revalue the yuan could also open up possibility for speculative attacks on the currency.

"We should not pressure China to either revalue or widen the band of renminbi. We can't pressure China to take action on its foreign exchange," he said.

He said despite growing affluence, the Chinese economy was still vulnerable with huge income and wealth disparities.

During the question and answer session later, he said it was timely for the East Asian countries to express their view to the world and convince the US that the East Asian community had to be created.

On the structure of the AMF, he said it had to be negotiated. "But one thing is clear, we need a permanent secretariat," he said.

He also said the younger generation in Asian countries, who are more international in outlook, were pressuring their governments to co-operate closely with each other.