

## **HARDEV KAUR: Clarion calls for solutions to economic crisis**

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WILL the current crisis bring Asia and Europe closer together or set them further apart? Will the crisis result in greater liberalisation or increased protectionism? Is regionalism on the rise, and is multilateralism under attack as a result of the crisis? These were just some of the questions tackled by some senior journalists from the two continents recently.

When reference is made to the current crisis, more often than not, most refer to the world's financial and economic crisis that countries are trying to deal with.

However, participants of the seminar on "Moving towards a post-crisis world", organised by the Asia Europe Foundation (Asef), were reminded that there is more than one crisis facing the world today.

These include health, and more specifically, the H1N1 flu, which has spread to some 50 countries, and the question of climate change.

In addition to dealing with issues related to the economic meltdown, limited government resources also need to be deployed to deal with the other problems.

But the major developed nations are in recession and growth in emerging economies is also slowing down. The world economy is shrinking -- the first global contraction in 60 years -- and global trade will also contract this year, in what the World Bank says will be the largest decline in 80 years.

This puts a greater burden on the poorer and developing countries, which have small domestic markets to seek domestic solutions.

Facing the contraction of consumer demand, the developed markets that import from developing economies are also turning more protectionist.

The "Buy American" clause in the United States stimulus package, along with increased tariff and non-tariff barriers, threaten to undermine the multilateral trading regime even further. There is very little focus on the Doha Round now.

Governments acknowledge that in the face of shrinking export markets, domestic markets

need a boost.

Thus, many of the stimulus packages around the world, including Malaysia's, emphasise the domestic economy and boosting consumption.

At the same time, there is need for coordination. It is important that the efforts of developing countries are not negated or undermined by the policies of developed economies.

In the region, Asia must get its act together and work out solutions that will benefit the region.

Some effort is being made towards cooperation and coordination. The Group of 20 (G20) is one. But the members have not lived up to their promises. While they agreed in Washington not to resort to protectionism, at least 17 of its members have instituted some form of tariffs and barriers to trade.

And there are questions about the membership. There is a larger representation from among the Europeans, while Asia is under-represented. The workings of the Bretton Woods institutions, in representation and voting, have come under scrutiny. While some attempt is being made to revamp them, the progress is glacial.

In Asia, the emergence of the Chiangmai Initiative (CMIM) seeks to fill the needs of the region.

The multilateralisation of the initiative will allow member states -- the Asean 10 plus China, Japan and South Korea -- to tap the regional pool of foreign exchange reserves to better fend off a financial crisis.

China's increased role and contribution in the CMIM shows how far China has come and its growing role in regional and international matters.

With the multitude of global issues and crises, it is clear that the post-crisis world will be a much changed and different place.

Will economic power shift to Asia? Will trade and investment flows continue to be from the developed North to the developing South?

Even now, that is changing. Today, with Asia home to the world's largest foreign reserves, capital also flows from the developing to the developed economies. The markets for goods are not just in the developed nations but also in the developing.

And while the pattern of consumption and the choice of goods and services may differ, there are also trade and investment flows among and between developing countries.

China's investments in Latin America and Africa; India's investments in Europe,

Australia and Southeast Asia; Malaysia's investments in China, India and Indochina; and Singapore's investments in some of the household names in the developed countries are beginning to make a difference in the world.

Emerging nations such as India, China, Brazil, Russia and other developing countries are increasingly important global players. Their inclusion and participation in the G20 and other international forums is necessary, and recognises their role in the world today.

Similarly, multinational corporations (MNCs) are much bigger players on the world stage than nation states, and hedge funds and private capital flows cannot be ignored.

The United Nations Conference on Trade and Development, points out that 25 per cent of all global production is accounted for by MNCs.

The message from the seminar was clear: the on-going crisis that has affected everyone calls for solutions at national, regional and multilateral levels.

Regional and multinational cooperation must be strengthened. Trade protectionism, which is on the rise in some parts of the world, must be rolled back. Forces of liberalisation need to be strengthened.

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