

Can Asean Weather the Slowdown?

Natoch Jitsomboon

This week leaders from Asean countries will gather in Cha-am for the 14th Asean Summit in a bid to strengthen cooperation among themselves.

Given the effects of the global economic crisis on what has become an important region, Asean members must continue working together to avoid economic turbulence by ensuring supportive economic policies while continuing to pursue necessary infrastructure development in support of long-term integration.

Fortunately, between the 1997 Asian financial crisis and this latest global meltdown, Asean countries had already achieved considerable advancement of structural reforms to improve the resiliency of their economies and financial markets. These reforms and institution-building have made it less likely that the present financial turmoil will make a sharp and broad-based dent in regional economic performance. Nevertheless, Asean countries cannot avoid adverse impacts from the global turmoil if they continue to rely on exported growth strategies as in the past.

Indeed recent figures show that the effects of the international crisis on the region have become more pronounced, with export-growth figures of Asean countries turning negative for the first time in years. The currencies of a number of Asean countries have become more volatile despite a more flexible exchange-rate regime. Therefore Asean countries can no longer rely on trade with advanced economies, because external demand has weakened markedly.

In this regard, Asean countries must put greater effort into promoting intraregional trade under the Asean Economic Community, especially as intra-Asean trade has increased from only about 12 per-cent in 1993 to more than 25 per cent at present. Moreover, Asean's population amounts to nearly 600 million, with a growing middle class, representing stronger demand for consumer products and financial services.

To safeguard regional domestic demand as a source of Asean growth, it is essential that Asean countries strengthen cooperation, in order to protect the region from economic contagion from other parts of the world. First in this regard is the need to enhance regional surveillance mechanisms. Importantly, the regular assessment of economic and financial development on an

ongoing basis will allow countries to possess timely and adequate information needed to mitigate regional risks.

Second is the need to expedite progress towards the multilateralisation of the Chiang Mai Initiative. This regional liquidity facility must be sufficient and effective in size and contain automatic disbursement in times of need, so as to protect the region from contagion, caused from within or without.

In sum, it is in such challenging times as these that Asean members rise to meet mutual challenges together. Asean has always been an important economic community; it needs to become an important source of growth for the global economy, especially now that advanced economies are losing steam as the main drivers of world growth.

(Views expressed are the author's own.)

Source: The Nation