

# Bitter conflicts erupt at APEC summit

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What a difference a year makes. Last November, the 21 leaders of APEC, the Asia-Pacific Economic Cooperation forum, were posing together in leather bomber jackets in Vancouver as they committed themselves to trade liberalisation and economic collaboration.

Twelve months on, one of their number, former Indonesian president Suharto has been ousted, and the Kuala Lumpur summit has erupted into a bitter slanging match.

At the Vancouver summit APEC leaders agreed that nine areas of trade valued at more than \$1.5 trillion should be the subject of tariff cuts, with definite proposals to be brought to the Kuala Lumpur meeting. But the worst financial crisis in half a century intervened, exacerbating underlying conflicts. The APEC proposals collapsed in the week leading up to this year's summit. The Japanese government objected to the removal of tariffs and other trade barriers in forestry and fish products, and the United States refused to accept any compromise formula.

In a bid to preserve the semblance of unity, the Malaysian Trade Minister, Rafidah Aziz, suggested that Japan could agree to token cuts in the forest and fish products to allow the agreement on other areas to go ahead but this was rejected outright by US Trade Representative Charlene Barshefsky.

"Token participation at the end of the day by the world's second-largest economy doesn't cut it," she said. Barshefsky told reporters that Japan's offer of assistance to APEC nations willing to back its stand on the forestry and fish products was "terribly disturbing and destructive" manipulation. According to one Japanese official, Barshefsky became irritated during discussions as she "berated the Japanese for not taking a leadership role in Asia".

In Washington, the Japanese ambassador felt obliged to intervene, calling the US criticism "unfair and

disproportionate" saying that it failed to take into account important trade liberalisation moves which Japan had made in other areas.

Japan received support from a bloc of countries, including China, Indonesia, and Thailand as well as Malaysia, which played a key role as host of this year's summit. The United States received limited support from Australia and New Zealand. Reflecting the dilemma confronting the Australia in the event of a trade war between its two major allies, Trade Minister Tim Fischer said he was "underwhelmed by Japan's failure as the world's second-largest economy to do more about its position" and "frustrated that the USA's position is traduced by the position of the US Congress".

The Congress has refused to give the Clinton administration the authority to fast-track trade negotiations.

Sharp as the conflicts were over trade, they were only a preview of what was to come. Opening the APEC business summit, the private sector adjunct to the leaders' and ministers' meetings, on Sunday, Malaysian Prime Minister Mahathir made his strongest attack yet on the international monetary system. He declared that currency speculation was an unacceptable manifestation of globalisation. The 1997 devaluations of the East Asian currencies had impoverished the region as a result of the greed of the currency traders, he insisted.

"What is there to show for the huge trade in currency--20 times bigger than world trade? The numbers of people who invest in hedge funds and the banks are thousands, as against a world population of 6 billion.

"In contrast, tens of millions of poor workers lose their jobs and are starving because of currency trading, not to mention the loss of wealth of many developing countries, which runs into hundreds of billions of

dollars."

Mahathir's outburst was the latest in a series of statements he has uttered since financial meltdown began, articulating publicly the privately-held sentiments of a number of Asian leaders. Mahathir has also been supported by elements within Japanese ruling circles.

Last September Mahathir sent a tremor through world markets when he withdrew the Malaysian currency from world markets and imposed tight capital controls. This was followed by the ousting of his deputy Anwar Ibrahim, the chief proponent of the US-supported "free market" agenda within the Malaysian regime, and Anwar's subsequent arrest on sodomy and corruption charges.

US vice-president Al Gore, deputising for Clinton at the summit, openly solidarised himself with the protests in support of Anwar as he delivered a speech on Monday which amounted to a virtual call for the overthrow of Mahathir.

"Among nations suffering economic crisis," he told the business leaders' meeting, "we continue to hear calls for democracy in many languages, 'people power', 'Doi Moi', 'reformasi.' We hear them today--right here, right now--among the brave people of Malaysia.

With Mahathir sitting in the audience, Gore went on to insist that the only way to achieve economy recovery was to "root out corruption and cronyism" and put an end to "bloated bureaucracies".

Malaysian Trade Minister Rafidah Aziz denounced Gore's remarks as "the most disgusting speech I've heard in my life".

Behind the verbal warfare there are deep-going economic conflicts, with the central fault line running between the US and Japan. For the US, the Asian economic crisis represents a unique opportunity to enhance its economic influence throughout the region and undermine the considerable expansion of Japanese interests over the past decade and a half. This US program is being carried out under the banner of "restructuring" an end to "cronyism" and the establishment of "free markets".

It forms the basis of the \$10 billion aid plan announced by Gore. Under the proposal the US will provide \$5 billion in direct aid with a further \$5 billion to be provided in a joint initiative involving the US, Japan, the World Bank and the Asian Development

Bank.

The \$5 billion provided directly by the US is to be split up as follows: Indonesia, Thailand and South Korea are each to receive \$1 billion with the remaining \$2 billion to be used to provide loan guarantees through the US Overseas Private Investment Corporation to support private business deals.

Announcing the plan, Gore said: "We want to do all we can to encourage trade and investment here, so American businesses can be an active partner in your growth and recovery."

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