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Abac to draft action plan on currency trade

Anita Gabriel in Vancouver

VANCOUVER, Tues: The Apec Business Advisory Council (Abac) plans to come up with an action plan on currency trading regulation and submit it to the World Trade Organisation (WTO) as soon as possible, says Malaysia's Abac chair Tan Sri Tajudin Ramli.

Noting that the idea of monitoring currency trading and curbing manipulation seems to be more widely accepted now, Tajudin said the momentum must be stepped up to introduce rules similar to those in the banking system and capital markets in the currency market.

He said Abac expressed concerns over the fact that the volume of currency trading is 20 times bigger than the total world trade in goods and services.

This means that the WTO is confining itself to regulating only 5 per cent of the global trade, thus making the goal of achieving a level playing field meaningless.

In a matter of weeks, the devaluation of the region's currencies has cost the affected countries a hefty US\$500 billion (US\$1 = RM3.48), Tajudin said.

Earlier, members of Abac held a press conference on the successful outcome of its meeting with Apec leaders today where members of the private sector expressed grave concern over the currency and equity market instability arising from increasing global economic integration.

The key Abac recommendation to the Apec leaders was that the latter should endorse the Manila arrangement on the Asian Fund Facility, reached recently at a meeting of finance ministry and central bank deputies.

However, Abac's chair Paul Gobeil said these problems do not make the need for continued liberalisation any less urgent.

"The current instability has in no way altered the basic Abac message. It has in fact strengthened the need to open up markets and make them more transparent," he said.

Admitting that the currency crisis has to a certain extent slowed down the process of liberalisation, he stressed that member economies must press on to meet the free trade deadline of 2020 for developing countries and 2010 for developed countries.

The report by Abac contained suggestions on various ways to cope with the financial instability in member economies, which it hopes will be adopted by the Apec leaders.

Abac Committee co-chair and chairman and managing director of Hong Kong's Hopewell Holdings Ltd, Sir Gordon Wu, explained that Abac called for cooperation in developing a transparent and timely mechanism to disseminate economic data as a means to boost market confidence.

Apart from removing the guessing game in the market, such a mechanism could also serve as an early warning system, he said.

The council also sought cooperation among Apec finance ministers to advise and put in place sustainable macroeconomic policies as well as develop and enforce rules to curb market manipulation and abuses.

In addition, guidelines on margin financing by banks for currency trading are needed as if left unchecked such activities can have adverse effects on the economy, Wu added.

Asked to comment on Prime Minister Datuk Seri Dr Mahathir Mohamad's speech at the gala dinner yesterday on the perils of a completely free market, Tajudin said Dr Mahathir was referring to the concept of

prosper-thy-neighbour.

His speech should not be perceived as a hesitation to move forward towards progressive liberalisation, he said.

Committee co-chair from Brunei Timothy Ong, in describing Dr Mahathir's speech as carrying a "perfectly reasonable" message, said the Prime Minister merely wanted to convey two extreme cases of the market or the Government being given free rein.

By doing so, Dr Mahathir was proposing a balanced system involving close cooperation between the Government and the market, he added.

Ong said that while leaders agreed across the board that the currency issue needed serious consideration, their individual approaches varied with some looking at it from purely the domestic point of view and others in terms of systemic risks.

Also present at the Abac meeting was Sime Darby executive chairman and Abac co-chair Tan Sri Nik Mohamed Yaacob.

Next year, Malaysia will host the Apec meeting and, according to Tajudin, the initiatives proposed at this meeting should see fruition by then.

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