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Abac-Rules

ABAC ACKNOWLEDGES NEED FOR RULES AND REGULATIONS FOR CURRENCY TRADERS

By: S. Durga Varma

TAIPEH, Sept 6 (Bernama) -- The Asia Pacific Economic Cooperation Business Advisory Council (Abac) today acknowledged the need to introduce rules and regulations for currency traders.

This is the first time an international forum has come forward with support for the idea, which was first mooted by Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad.

The chairman of Abac's financial crisis taskforce, Dr Jeffrey Len-Song Koo, said: "While the benefits of trade and investment liberalisation are clear, the ramifications of speculative currency trading in the absence of adequate governance structures are not clear and need to be urgently addressed."

Speaking at a news conference at the end of the four-day Third Abac meeting here, he said the rules and regulations were necessary as many Asia Pacific Economic Cooperation (Apec) economies had been endangered by currency speculators.

Koo said a team of experts, within Abac, would undertake a study to see what rules and regulations should apply for currency traders.

Abac is the private-sector arm of Apec and has a mandate to advise Apec leaders on issues affecting business in the region.

Meanwhile, Abac chairman Tan Sri Tajudin Ramli said: "This combination is all important."

"Desperate times call for urgent and tangible action by governments to restore growth in the affected economies.

"But Apec must also stick to its programme of liberalisation because this would help get us over the crisis," he said.

Tajudin also said that the key recommendation was targeted at restoring investors' confidence, promoting currency stability and bringing about the return of foreign direct investments and other long-term capital to the region.

He said Abac members had also finalised additional recommendations to be delivered to the Apec governments.

"Abac will reiterate its recommendations for establishing a sound enabling environment in which electronic commerce can flourish and is calling upon governments to intensify efforts to help regional companies overcome the Millennium Bug or Y2K problem with priority on the transport, medical, utilities and financial services sector" he said.

He added that Abac also proposed a new joint public-private action plan to build an Apec food system for the region which would include the promotion of trade in food products, upgrading of rural infrastructure and diffusion of new agricultural technologies.

Tajudin, who is also chairman of Malaysia Airlines, said the members had also agreed that they should push forward with the proposed bond issue termed the Collateralised Bond Obligation (CBO).

In a nutshell, a group of cash-rich countries will inject capital into the proposed CBO which will be used to leverage more funds from international capital markets.

The amounts raised is usually to the tune of between two and three times the original capital and the capital raised is then invested in US dollar-denominated bonds issued by the affected economies or pre-selected agencies in these countries.

Tajudin said Abac believed that the CBO was an appropriate vehicle for

the affected economies at this point and by using instruments such as the CBO, much needed private capital could be attracted back into the region.

"Abac has taken much time and effort that the CBO will make a difference," he said, adding that the council was now working out how best to implement the CBO and that Taiwan had agreed to provide up to 25 per cent of the capital needed.

Other countries likely to participate in the CBO are Japan, Singapore and Brunei with the Asian Development Bank assuming the role of guarantor.

The members have also agreed that on economic and technical cooperation, a nucleus corporation which acts as a catalyst and supports government in a business /private sector-driven approach, be pushed forward.

"Abac has identified early flagship projects which it believes would benefit Apec economies," said Tajudin, disclosing that an Asian Gas Grid project had been proposed.

He said the project would link existing and proposed gas networks in Indonesia, Malaysia and Thailand with new proposed pipelines feeding gas which would otherwise remain undeveloped in Indonesia and Malaysia.

The major demand for the gas is expected to come from China with possible extension into Chinese Taipei, Japan and South Korea.

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