

19/11/1998

Apec finds common ground on a number of key issues

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ASIA Pacific Economic Cooperation (Apec) leaders yesterday found common ground on a number of proposals to guide Pacific Rim countries out of the current economic crisis.

The leaders at the end of their two-day summit issued a statement that called for more countries to join a common effort to strengthen the global financial system.

They also called for a review of the practices of international rating agencies, something which Prime Minister Datuk Seri Dr Mahathir Mohamad had said needed attention.

Malaysia's idea of having some form of control on currency trading however did not make it into the Kuala Lumpur Declaration but the leaders agreed to consider measures to regulate "hot money" flows.

The leaders agreed to look into the impact of hedge fund activities as well as the operations of highly leveraged and offshore institutions, through the setting up of a task force to examine transparency and disclosure standards of "banks, hedge funds and other private investors" that have influence over international capital flows.

The task force will comprise representatives from both developing and developed member countries. This is in line with the belief that measures to strengthen the international financial system are best served in a process that involves both industrialised and emerging market economies.

"We agree that a forum such as an expanded G-22 would be appropriate for this purpose," Dr Mahathir said at the press conference.

The leaders asked their finance ministers to get immediately down to work on measures to implement the proposals, including looking at "innovative ways" to promote capital flows and economic recovery in the region, for example through private and public sector collaborative partnerships.

The leaders, in the light of concerns expressed about the impact of international credit-rating agencies' activities, called "for a review of their practices to promote greater effectiveness and to contribute to sustainable capital flows."

On the crisis itself, the leaders noted that there had been encouraging developments in Apec economies and in the international financial system in recent months.

The leaders also welcomed several initiatives effected outside the Apec meetings, including a US\$30 billion (US\$1 = RM3.80) aid package from Japan and another US\$10 billion joint Japan-US aid plan.

The leaders commended Indonesia, South Korea, Philippines and Thailand for implementing strong economic reform programmes, saying these economies, backed by an unprecedented degree of financial cooperation and support from the international community, have achieved a substantial degree of financial stability, thereby laying the foundation for recovery.

Later, Prime Minister Datuk Seri Dr Mahathir Mohamad said it was not significant that Malaysia was not mentioned with the four economies in the Declaration.

He said it does not mean that Malaysia was not afflicted by the crisis or that it was not showing signs of recovery. "It is just that these countries were the beneficiaries of IMF (International Monetary Fund) loans and Malaysia was not."

The leaders also agreed that IMF programmes should be flexible and

welcomed efforts by the World Bank to triple lending to the social sector and the Asian Development Bank to double such loans in view of the surge in poverty as a result of the crisis.

Not unexpectedly, with the leaders being pre-occupied with matters related to the financial turbulence, there was little progress made on the trade front, Apec's usual main agenda.

The leaders said they welcomed the progress on the Early Voluntary Sectoral Liberalisation package, Apec's main vehicle to bring down trade barriers, in nine sectors and instructed ministers to work towards including the targeted remaining six sectors.

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