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Apec summit just a stop-over in the journey of financial crisis

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THE mountain of Apec literature furiously churned out in the past week, had by now travelled with returning delegates in various forms across Asia Pacific.

Statements, printouts, newspaper cuttings, and copies of its most telling document - the declaration - carry the burden of record for a meeting which had to find a way to contain, and cope with, the financial crisis, amid divergent strands of opinion as well as economic and political realities.

"We need to deal urgently with the financial crisis which has spread beyond the Apec region," outlined the 10-page declaration which had since inspired streams of commentaries and analyses.

In the big-picture scenario, the Apec meeting ending Wednesday was just a stop-over in the journey of the crisis.

In Kuala Lumpur alone, the crisis had hogged three world meetings now - the G15 Summit and Second Asean Informal Summit last year and now Apec despite initial fears that it was being bogged down in intense talks concerning the early voluntary sectoral liberalisation (EVSL).

Thus, regardless of how much of political muscle-flexing, the financial issue just could not be obscured.

Already, its magnitude is being felt in households across the region, manifested in the form of unemployment and drop in real economies, even as people connected with Apec in Kuala Lumpur now move on to other things.

Which is why the crisis is high on the agenda of US President Bill Clinton who arrived yesterday in Tokyo for high-level talks between these two powerful economies and crucial components of Apec.

Against this backdrop therefore it is pertinent to go through some of the questions Apec had spawned: Have the US and Japan done enough in handling the crisis through the Apec forum? And how far did Kuala Lumpur Apec advance on another piece in the financial jigsaw? Was the meeting distracted from its economic path?

For one, Prime Minister Datuk Seri Dr Mahathir Mohamad - as chairman of the proceedings - was seen to have helped the cause of the meeting by veering away in his statements and responses to the media from US Vice-President Al Gore's sniping at a dinner speech.

And despite the wave of publicity stirred by happenings on the sidelines, the leaders retained their focus on the economic agenda.

As for the question of contributions by US and Japan, they did come out with the US\$5 billion (RM19 billion) aid package, announced by Gore in the same dinner speech in which he alluded to reformasi and "among the brave people of Malaysia".

Also, officials agree that almost certainly, there could never be one acceptable report card gauging the performance of the latest series in the Apec forum.

Still, the Apec process in Kuala Lumpur is being interpreted by observers as one which has deepened and broadened the argument on capital flows.

This goes beyond the Malaysian standpoint because as Dr Mahathir pointed out, Apec leaders agreed that the question of regulations was urgent.

Many expressed similar views. Said China's President Jiang Zemin at the meeting: "Those big powers with influence in international finances are duty-bound to take effective measures to improve the supervision and

regulation of the flow of the international financial capital, contain over-speculation of the international hot money, and enhance the capability for the forecast and prevention of financial risks and for their relief."

Although those who assess such meetings by shades of "victory", "defeat" "setback" and "snubs", saw the declaration as one which stopped short of calling for regulations, Dr Mahathir had made it clear that the pace had been speedy considering the speed with which the international community moves.

In this respect, the declaration placed importance on the question of capital flows which was a recurring theme in the document. The leaders made it clear they attach "special urgency" to the issue.

"We attach special urgency to examine the scope for strengthened prudential regulation of financial institutions in industrialised economies to promote safe and sustainable capital flows," the leaders said.

They called for the questions of appropriate transparency and disclosure standards for investment banks and hedge funds to be examined and for the scrutiny of the operations of highly-leveraged and off-shore institutions.

Apec leaders, in fact, went a step further by asking for a task force to be formed fast to study these matters.

The declaration expanded the argument, saying: "We agree that now is the time to effect changes aimed at strengthening the international financial system, so as to capture the full benefits of international capital flows and global markets, while minimising the risk of destructive disruptions."

Hong Kong chief executive Tung Chee-hwa said Hong Kong "wholeheartedly supports" ongoing international efforts concerning leveraged funds.

Not neglected was the sharp reduction in the flow of capital into East Asia and other emerging market economies.

Thus the leaders declared: "We support efforts by the multilateral development banks to use innovative financial instruments to help catalyse and leverage private sector capital flows."

There was also the decision to forward the issue of strengthening the international financial systems to a bigger forum, being the expanded G22.

Considering that there had been posers on the issue of "victory" with regard to the declaration, let's recount this particular Japanese spokeswoman. She was asked after the Ministerial Meeting, whether she saw a decision to send the package of trade liberalisation to the World Trade Organisation - which has always been the Japanese position - as a "victory".

She replied: "Victory? Victory is not the word that we want to use ... victory is not a word which Japanese people easily use."

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