

04 APR 1998

Asem - statement

ASEM CALLS REFORMS TO INTERNATIONAL FINANCIAL SYSTEM

By: Wan A Hulaimi

LONDON, April 4 (Bernama) -- Asian and European leaders holding their second meeting (Asem 2) here have called for a reformed and strengthened international financial system with an International Monetary Fund (IMF) that can respond more decisively to financial difficulties.

The leaders, who held their inaugural meeting in Bangkok in 1996, also called for a new regional surveillance mechanism in Asia in their statement on the Asian financial and economic situation.

The inclusion of this call for a reformed international financial system, to reduce the vulnerability of international financial systems, provided some satisfaction to Asian leaders, like Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad, who have been openly advocating greater protection from attacks on a country's economic and financial stability.

During the leaders' discussions on the plight of the Asian economies in a closed door meeting yesterday, Dr Mahathir spoke on the specific situation in Malaysia and reiterated his views on the need for control.

Although the statement, produced after the two-day Asem 2 meeting which started here Friday did not address specific measures against the destabilising activities of currency speculators that have wrecked many economies in Asia, the call for greater supervision and transparency in financial and capital markets was made after leaders discussed preventive measures against potential shocks, including "speculation-induced instability".

The leaders also called for access to expanded levels of IMF resources through a quota increase and early ratification of the New Arrangements to Borrow (NAB).

The statement further called on the IMF and international regulatory bodies to examine ways of improving transparency, including the possibility of monitoring short-term capital flow.

This issuing of a statement on the financial and economic statement in Asia in advance of the Chairman's statement at the close of Asem 2 on Saturday provided some satisfaction to Asian countries after uncertainty before the start of the meeting if the seriousness of their plight would be specifically addressed in a separate statement.

During discussions on the Asian economic situation, the leaders emphasised its impact on the global economy while also noting concern about the human cost to the people of Asia.

"Strong economic fundamentals would enable Asia's impressive growth performance to continue over the medium term," the statement said.

While acknowledging that this was a global problem which needed resolution through a reinforced IMF placed at the centre of the global response, the statement emphasised that adjustment efforts in Asian countries concerned should be implemented in an open, transparent and non-discriminatory manner.

Other measures to restore confidence and stability included:

- + private sector involvement and the importance of devising strategies in providing financial assistance "as necessary and appropriate" and the need for increased contact between the public and private sector; and
- + continued access to trade finance for economic recovery within the framework set by the IMF.

"(Leaders) encouraged further ECAs (export credit agencies) to provide special credit facilities in order to ease shortage of liquidity of the

export sectors of the Asian countries concerned," the statement said.

Another measure is augmenting of reform measures by technical assistance and advice drawn from European and Asian expertise on restructuring the financial sector and on finding ways to redress poverty.

The statement also agreed to adopt a balanced approach between economic and social policies and welcomed the poverty focus of the new and existing trust funds of the World bank and the Asian Development Bank.

There was common resolve to maintain an open trading system as the leaders undertook not to take any restrictive measures "in the legitimate exercise of their WTO rights" beyond that which was necessary to remedy specific situations.

They agreed to maintain at least the current level of market access while working towards "further multilateral liberalisation".

The impact of the current Asian problem on the world economy was likely to be material but manageable, the statement said.

It was also important more than ever for global economic stability for the European countries to keep their own economies in good order, the statement added.-- BERNAMA

WAH rn