

06 NOV 1998

APEC-News-Tajudin

IMMEDIATE ACTION NEEDED TO AVERT GLOBAL CRISIS

By: S. Durga Varma

KUALA LUMPUR, Nov 6 (Bernama) -- The private sector in the Asia-Pacific region feels that Apec (Asia-Pacific Economic Cooperation) economies must take immediate action, individually and collectively, to avert the current financial crisis now affecting Asia from escalating into a global crisis.

In a report, the Apec Business Advisory Council (Abac), said economic leaders must act decisively to contain the severe difficulties as this crisis would clearly test the resolve of Apec to find solutions.

Saying that the leaders had acknowledged the growing concerns of volatility in financial flows in Apec, Abac's chairman, Tan Sri Tajudin Ramli, said in a letter to Prime Minister Datuk Seri Dr Mahathir Mohamad that the importance of collective responsibility must be re-emphasised to ensure Apec objectives and sense of community were not lost.

Tajudin's letter, contained in the "1998 Abac Report to Economic Leaders" was presented to Dr Mahathir today.

It also said it was crucial to be innovative in thinking, frank in assessing the realities and bold in prescribing alternative and flexible solutions to tackle the crisis.

The report entitled, "APEC Means Business: Restoring Confidence, Regenerating Growth" was signed by Abac's co-chairmen Paul Gobeil, Vice President, Metro Richelieu Inc of Canada, Philip Burdon, chairman of Asia 2000 Foundation of New Zealand and various task force chairmen and Abac members.

Tajuddin said notwithstanding the financial contagion, Abac continued to believe that free trade in the region by the year 2010 for developed economies and 2020 for developing economies should remain Apec's goal.

"Although the liberalisation of trade in goods and services has led to significant wealth creation, the ramifications of speculative trading are not clear.

"Premature liberalisation of capital markets in some economies has led to unintended costs and outcomes.

"As a result of the severe impact associated with these outcomes, some member economies have had to introduce measures to insulate themselves from this contagion," he said.

As the business advisory council of Apec, the council has a mandate to provide timely and relevant recommendations towards the achievement of Apec goals, taking into account the current crisis which challenges the very foundation of society, business and free enterprises in some Apec economies.

The council has proposed several regional initiatives aimed at providing rapid amelioration to the crisis.

They include establishing a mechanism to enhance the credit of government bonds denominated in hard currencies and issued by affected economies through guarantees, exchangeable government bonds or collateralised bond obligations and develop mechanisms to cushion the impact of currency instability on the private sector

Abac is also re-emphasising that the International Monetary Fund (IMF) broaden its approaches to take into account the social implications of its programmes and convene an ongoing regional forum to promote and co-ordinate co-operative responses to the financial crisis.

In addition to these initiatives, Tajudin, who is also chairman of Malaysia Airlines (MAS), said the council is strongly urging economic

leaders to strengthen their domestic economies by taking several initiatives.

The suggestions include enhancing the domestic capital market infrastructure via the restructuring of bank balance sheets through loan sales and financing structures, encouraging foreign direct investment in domestic financial institutions to strengthen the capital bases of domestic banks and enhancing their global competitiveness.

Abac is also calling on economic leaders to improve domestic capital markets through the development of liquid bond and asset-backed securities markets.

It also proposed the establishment of a mechanism for restructuring corporate debt through debt-equity swaps and a special exchange rate mechanism to assist qualified companies in managing currency volatility.

To facilitate exports, Abac felt that the use of securitisation structure of trade receivables for trade finance be encouraged besides enhancing the role of export credit agencies to match the financing needs of export companies.

-- BERNAMA

DVS SHY AO