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In one mind

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DEREGULATION and liberalisation have always been the buzzwords during Asia-Pacific Economic Cooperation (APEC) summits since its initiation in 1989.

But if the tone at the recent APEC Business Advisory Council (ABAC) meeting in Taipei is anything to go by, then the terms 'rules and regulations' will also hog the limelight at the forthcoming APEC meeting in November in Kuala Lumpur.

Discussions on rules and regulations for currency trading dominated the three-day ABAC meeting in Taipei. Although other issues such as investment and trade liberalisation, regional economic and technical cooperation (Ecotech) and E-commerce were also discussed at length, the financial crisis affecting half the world was at the heart of discussion among delegates.

Thus, it was no surprise when the council recommended that APEC leaders consider regulating currency trading. 'A team of people will do a study to this effect,' says Dr Jeffrey Koo, the financial task-force chairman of ABAC.

Although it is not surprising given that more countries are falling victims to speculators, this is the first time an international forum has acknowledged the need to regulate currency trading - something considered impossible a year ago.

When Prime Minister Datuk Seri Dr Mahathir Mohamad called for such regulations during the joint World Bank/International Monetary Fund meeting in Hong Kong last year, it was dubbed as something out of this world and an impossible task to undertake. But now ABAC is looking at ways to govern currency traders.

'I believe for the first time there will be a regional response to the crisis. Among ABAC members, we have overcome our initial differences and are coming out with recommendations on the financial crisis to be presented to the leaders,' says Nelson Chang, chairman of Chia Hsin Cement Corporation which is one of Taiwan's largest cement producers.

ABAC is a high-level advisory body that provides the link between leaders of member economies and the private sector. Its members are normally the top two or three businessmen from each APEC country. The three representatives from Malaysia at the Taipei meeting were National Chamber of Commerce and Industry Malaysia president and MAS chairman Tan Sri Tajudin Ramli, Tan Sri Nik Mohamed Yaacob of Sime Darby Bhd and Tan Sri Francis Yeoh of YTL Corporation Bhd. The trio joined the likes of John F Smith Jr of General Motors, United States, Koo, who is a banker and an advisor to the Taiwanese President and Hong Kong property developer Sir Gordon Wu in deliberating recommendations that will be forwarded to the APEC leaders this November.

Tajudin, who holds the chair of ABAC by virtue of Malaysia being the host country, is careful to stress that while solutions to the financial crisis is important, the council is committed to trade issues like liberalisation and Ecotech. 'ABAC feels that there must not be any deviation from the original objectives of APEC which are trade and investment liberalisations. While the benefits of trade and investment liberalisations are clear, the members realise the ramifications of speculative currency trading in the absence of adequate governance structures,' says Tajudin.

APEC has 18 members and three more countries, including Russia, will be joining the group this November. Representing more than half the world's population and half its gross domestic product, APEC can no longer afford to be a bystander to the financial crisis. This has been affirmed during the ABAC meeting, thanks largely to strong arguments put forward by business leaders from Asian countries.

Besides the Malaysian trio, business leaders from the Philippines and Hong Kong were among those who strongly argued for controls in currency trading. What caught the interest of most business leaders is the injustice currency trading is causing to genuine entrepreneurs.

'The value of currency trading is more than 20 times higher compared to actual trading of goods and services,' says Jose Luis Yula Jr, the president of the Philippines Stock Exchange. 'In the end, a good entrepreneur who sells and buys genuine goods and services still drives his old car while a currency trader, who in reality does not transact any goods or services, rides on the back seat of a new chauffeur driven Mercedes.'

'ABAC has agreed that there should be some rules to regulate currency traders. If there are no new rules, I think this crisis will be a permanent one and even the United States may be affected,' says Yula. Sir Gordon says currency traders are observing the rule of the jungle. 'The strong guy can trample the little guy,' he says, stressing that victims of currency traders are no longer countries with weak economic fundamentals. 'For instance, Hong Kong has no foreign debt, no current account deficit and high reserves. Yet we are subjected to speculative attacks with all kind of rumours of devaluation. I don't think that is fair.'

Now that the ABAC is coming out with a set of recommendations, will it bring about a new global financial system? This question will probably be answered in November.

Dr Jesus P Estanislao, the dean of the Asian Development Bank Institute, gives a scant outline of the new financial structure to achieve currency stability. He says currencies should not be anchored to a particular foreign currency. They should instead, he suggests, be based on the strength of various other currencies. 'We should not put all the eggs in one basket. Some variety is called for depending on the relative weights of one's economic and financial transactions.'

What Estanislao is suggesting is that the currencies can also be anchored to the yen and euro. 'The use of three anchors instead of one will be a step towards greater stability as the gyrations in exchange rates between anchor currencies can, at least in part, offset each other. Surely, between the bad old days of fixed exchange rate regime and the bad new days of flexible exchange rates, we should be able to find a reasonable middle arrangement,' says Estanislao.

Besides the financial agenda, another achievement at the ABAC meeting was the setting up of Partnership for Equitable Growth (PEG). To be funded by the private sector, PEG's function is to increase Ecotech activities among APEC members.

'We have even agreed on how PEG can be funded and projects it can undertake,' says Yeoh, who is the chairman of ABAC's PEG taskforce. The projects identified are the Asian Gas Grid linking the Asia-Pacific rim and an APEC IT education initiative. 'The IT initiative will help small and medium enterprises rip the potential in E-commerce and develop more IT technicians in the lesser developed APEC member countries,' says Yeoh. Just like the crystallisation of PEG, come November the world will be watching if APEC can at least agree, if not formalise, on some kind of regulations for currency trading. Otherwise, APEC may just be reduced to a

`talk-shop'.

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