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Key questions await Asean leaders in Hanoi

THE Asia-Pacific Economic Cooperation (Apec) Economic Leaders' Meeting which came to a close last week has drawn mixed comments. Some said it failed to make itself relevant despite the opportunities available, while others said it did well just to manage to remain cohesive in the light of some very divisive issues.

Whatever the opinion, leaders of the Association of South-East Asian Nations (Asean) who attended the Apec meeting must do better when they themselves hold their summit in Hanoi, Vietnam, next month.

The need for this is very obvious. Since the start of the Asian economic crisis in the middle of last year, Asean has done little, despite the fact that most of its member economies were the worst hit.

Thailand and Indonesia had to go to the International Monetary Fund (IMF) for assistance, Malaysia was fighting a lone verbal war against currency speculators and hedge funds, while Singapore was seen as not helping its neighbours much. Asean's newest members in Indochina were to an extent insulated from the contagion but a slowdown in growth should have been enough for the grouping to act.

Asean has allowed the region's agenda to be taken away from it by the IMF and the World Bank, Japan and the US, the Group of Seven (G-7) developed countries, the Group of 15 developing nations and other groupings and institutions.

Apec decided last week to pass over the currency issue to the Group of 22 (G-22). There was surprising progress where the issue of ratings agencies was concerned.

Although there was no mention of some form of controls over currency traders in the Kuala Lumpur Declaration, Apec leaders did agree to consider measures to regulate "hot money" flows. In this regard, the Kuala Lumpur Declaration outlined the need to establish a task force to tackle international capital flows at source - financial institutions in the industrialised economies, including investment banks, hedge funds, institutional investors, and highly leveraged and offshore institutions.

The Apec leaders indicated that they "attach special urgency to examine the scope for strengthened prudential regulation of financial institutions in industrialised economies to promote safe and sustainable capital flows, to encourage sound analysis and better risk assessment".

The Apec leaders also saw the need to examine appropriate transparency and disclosure standards for private sector financial institutions involved in international capital flows, and the implications of operations of highly leveraged and offshore institutions.

While not specifically mentioning currency speculators, these proposals address the operations of financial institutions which, because of their access to large amounts of money, are capable of manipulating the currencies of nations.

The Kuala Lumpur Declaration also calls for a review of the practices of international credit-rating agencies to promote greater effectiveness and to contribute to sustainable capital flows.

Prime Minister Datuk Seri Dr Mahathir Mohamad, during the press conference at the last day of the Apec leaders' summit, said credit-rating agencies would be doing a service if they were more responsible and confined their ratings to institutions they were asked to rate. But, for now, the agencies are merely making general ratings, without taking into

consideration many positive factors. And this does not benefit anyone.

The G-22, which currently comprises the industrialised G-7 and the developing Group of 15 countries, is considered the appropriate forum to address the financial issue, through which efforts to strengthen the international financial system will be pursued. Thus, the Apec leaders' call for a G-22 summit to enable more concrete action to be taken by should be lauded.

Behind the calls and declarations, the real successes of the Apec Summit in Kuala Lumpur were achieved on the sidelines.

During the Singapore-Malaysia meetings, for instance, both governments agreed to patch up the strained relations between the two countries, with Singapore pledging to help Malaysia restore its economy. The offer may involve investments by the Government of Singapore Investment Corp.

In addition, Taiwan promised to help Malaysia and other affected economies of South-East Asia. It pledged to set up a US\$200 million (US\$1 = RM3.80) special fund for selected South-East Asian companies. And in doing so, Chinese Taipei, through its South-East Asia Holding Co, has despatched a team to look for equity investment opportunities in several Malaysia companies.

Other Apec members such as Singapore and Hong Kong also held bilateral meetings on the sidelines of the Apec summit. In their discussions, Singapore and Hong Kong agreed to cooperate to prevent speculators from taking advantage of varying regulations on a stock futures contract to be traded in both cities. The talks between their leaders centred mostly on the Singapore International Monetary Exchange's planned launch of a Hong Kong stock index futures contract, similar to the one traded in Hong Kong.

Asean members held a meeting among themselves during the Apec summit but discussions focused mainly on Cambodia's admission into the grouping. During the Asean Consultation Meeting, Vietnam sought opinion from the other eight Asean members whether to grant membership to Cambodia during the Asean Summit in Hanoi next month. Besides Malaysia and Vietnam, other members in the grouping are Brunei, Indonesia, Laos, Myanmar, the Philippines, Singapore and Thailand.

Has Asean been weakened by the economic crisis? Are Indonesia's seemingly unending street protests resulting in disintegration of the Asean process? Are politics and the proposal of some countries to intervene in others' domestic affairs derailing Asean's train of thought?

The Asean leaders' meeting in Hanoi should seek answers to these questions. The Apec summit in Kuala Lumpur should provide the Asean leaders with some indication of how they need to pursue their own ties and the issues they need to take up where Apec and other organisations have seemed unable or reluctant to address.

The Apec summit has proved that if Asean is weak and less cohesive, others will come in and out as they like to intervene in the domestic affairs of Asean member countries.

If today they can insult Asean governments verbally, who knows what they'll be tempted to do tomorrow.

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