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Meets on regulating trade in currency (HL)

Hardev Kaur in London

LONDON, Sun: Transparency and regulations in currency markets to ensure stability in the exchange rate mechanism will be considered at the spring meetings of the International Monetary Fund (IMF) and the World Bank.

Finance ministers of the just-concluded Second Asia-Europe Meeting (Asem 2) will raise the issues in Washington later this month. They will also stress the need to monitor short-term capital flows.

In addition, the EU has agreed to send a high-level business delegation to Asia to study the situation, gather facts in order to promote greater investment and trade with Asia, especially with countries that are most affected by the currency crisis.

The mission, apart from demonstrating that "Europe still retains its real interest in Asia", will also seek to encourage investments in the region.

The recognition to regulate currency trading and moves to consider ways to implement them is a vindication of the Malaysian stand and that of Prime Minister Datuk Seri Dr Mahathir Mohamad, who had repeatedly raised the role played by currency speculators and the unregulated trade in currency.

Asem, which groups 10 Asian leaders and 15 EU heads, held its second summit here on April 2-4.

Dr Mahathir had said here while governments were told to be transparent, no one knew "where, how and who" operates the currencies.

He said there appeared to be double standards - one for the governments and the other for currency traders.

As such there is need for regulations and standards for currency traders just as there are calls for transparency for governments.

At the meeting, there was also realisation among the European leaders that while the Asian countries may at this point be the most adversely affected the currency crisis is certainly a global problem.

In Kuala Lumpur, HAMISAH HAMID reports: Dr Mahathir told a press conference on arrival from London that Britain, the current EU chair, will coordinate the meetings of the Asem finance ministers.

The ministers have been asked to study the setting up of the international currency system.

On the mission that EU plans to send, the Prime Minister said it is not going to be a "fact-finding mission".

"It is a mission to assist the (Asian) economic recovery through investment and the like."

The EU, a major trading partner and investor to the countries affected, including Malaysia, had been accused of not doing as much as it could or should to assist these countries since the South-East Asian financial turmoil started last July.

"For the first time, countries outside Asia, especially developed countries, have shown their understanding and their will to overcome the problems.

"They acknowledged that currency trading brings adverse affects on international trade and caused millions of people in many developing countries to lose their source of income," Dr Mahathir said.

Dr Mahathir said the EU mission, which was suggested by South Korea during Asem 2, will be in Asia as soon as possible.

On whether he is confident that the mission will be translated into

investment by the EU in Asia, Dr Mahathir said: "I think so. This time they are really serious when they talked about solidarity with Asia."

He said the EU countries understand now how serious the problem is and have agreed on efforts to set up an international currency system, which will reduce the volatility in financial market.

"For me, this is important (result of Asem 2)."

Dr Mahathir was also asked whether Europe's change of view is because the region has felt impact of the financial turmoil in Asia.

"Maybe, more or less. But this is the first time they understand that the problems have caused pressure on the innocent population."

He said previously the widespread view was to blame the Asian governments for the region's financial and economic problems such as inefficient and governments which practise crony capitalism.

"But these are the governments that have developed the countries in East Asia to be 'Tiger Economies and Newly Industrialised Economies' and so on," the Prime Minister said, adding that during the last Asem in Bangkok, the Asian governments were praised for their robust economic growths.

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