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MUSTAPA-G22 MEETING

NOTHING CONCRETE FROM HIGH-LEVEL FINANCIAL MEETING, SAYS MUSTAPA

By: Salmy Hashim

Washington, Oct 6 (Bernama) -- More talk but little action came out of a high-level meeting of finance ministers from powerful and emerging nations as the markets nervously face the prospect of a global financial gloom.

Second Finance Minister, Datuk Mustapa Mohamed, who attended the five-hour G-22 or Group of 22 meeting of finance ministers here Monday said that "voices are growing louder" for more transparency and regulation over hedge funds.

He added that these hedge funds have had destabilising effects on capital flows around the world, but "there was no concrete plan of action" to resolve the "urgent problem."

"We don't see much movement, there's no reason to be optimistic yet," said Mustapa who is here for the first time, since he was appointed second finance minister, to attend the annual World Bank/International Monetary Fund (IMF) meetings as well as the G-22 meeting. The three-day annual meetings opens today.

The G-22, created by the United States last year to address the crisis, includes members from the G-7 group of developed nations -- the United States, the United Kingdom, Germany, Italy, France, Japan and Canada -- and developing nations including Malaysia, Indonesia, Thailand, Singapore, India, China, South Africa, Brazil, Argentina, South Korea and Russia.

IMF Managing Director, Michel Camdessus and World Bank President, James Wolfensohn, were also present.

President Bill Clinton, who chaired the first half of the meeting, said the world community should "do whatever it takes" to find a way out of the crisis.

He added, it was important for finance ministers to not only look at the immediate crisis but to look further into the future.

"We must ensure that the international financial architecture is prepared for the challenge of building a system that will lessen and manage the risk of global market to allow countries to reap the benefits of free-flowing capital in a way that is safe and sustainable," said Clinton.

Mustapa said, while the idea of regulating hedge funds was initially thought of as "crazy" and "stupid" when Prime Minister Dr. Mahathir Mohamed first suggested it at the last World Bank/IMF meetings in Hong Kong, the "mood has changed" and more countries, especially those affected by the crisis, including Hong Kong and Brazil, were clamouring for more transparency, disclosure and regulation over hedge funds.

While the G-7 countries appeared reluctant to exert control over hedge funds, they were willing to explore the possibility of setting up a standing committee to look into the proposals.

Even George Soros of Soros Fund Management, at a separate seminar here yesterday, finally agreed that "some restraint on capital movement would be useful to protect countries from the onslaught of the wrecking ball" brought by financial markets.

"Total free flow of capital is not advisable," he said, and conceded that some kind of mechanism was needed for greater surveillance of capital flows.

Meanwhile, Mustapa predicted a "tough year ahead" globally without a concrete plan of action to address the financial crisis where foreign direct investment would become more competitive, funds would dry up in the

next six months and interest rate spreads would go up. -- BERNAMA  
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