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Strengthening foundations for growth (HL)

CYBERJAYA, Wed. - The Sixth Apec Economic Leaders Meeting concluded today with the leaders saying that the on-going process to strengthen international financial market systems should be continued in a bigger forum of industrialised and emerging economies.

They said in a declaration that the expanded G22 - a forum involving the Group of 15 and the Group of 7 - would be appropriate for this.

In this context, the leaders wanted their Finance Ministers to develop, on an expedited basis, measures to implement such proposals like improving transparency and accountability and strengthening national financial systems and market infrastructure.

"We will ask for a report at our next meeting on the outcomes of such deliberations within Apec and elsewhere," the leaders said in a declaration read out by Prime Minister Datuk Seri Dr Mahathir Mohamad at the Cyberview Lodge in Cyberjaya, the heart of the Multimedia Super Corridor.

The leaders, who began their discussions at the Palace of the Golden Horses in Kuala Lumpur yesterday, came here for their retreat and for further talks.

Apec members of G22 are Australia, Canada, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, Russia, Singapore, Thailand and the United States. The others are Argentina, Brazil, Britain, France, Germany, India, Italy, Poland and South Africa.

Elaborating on the expanded G22 as a forum, Dr Mahathir said initially the issues involved could be discussed by the G22's Central Bank Governors and Financial Ministers.

The declaration entitled "Strengthening the Foundations for Growth", was the centrepiece of the meeting.

Dr Mahathir had chaired two days of discussions by the leaders which was preceded by, first, preparatory talks by officials and then the Ministerial Meeting.

The leaders also attached "special urgency" to the question of capital flows. Among other things they called for ways to promote recovery of flows into the region, and to examine the transparency and disclosure standards of investment banks, hedge funds and other institutional investors.

In addition, the leaders wanted the implications of the operations of highly-leveraged and off-shore institutions to be studied.

Later at a Press conference at the Palace of the Golden Horses, the Apec venue, Dr Mahathir was asked how close these measures on capital flows were to Malaysia's position on short-term capital flows.

He said it was quite clear that other Apec countries subscribed to Malaysia's views for these activities to be regulated.

The Prime Minister who had often spoken out against the activities of the high-leveraged hedge funds, added that Asean leaders essentially wanted some form of regulations to curb excessive capital flows.

Asked to comment on what is seen as the declaration falling short of his calls for currency trading to be regulated, Dr Mahathir said the leaders had agreed that this was urgent.

And, given that things in the international community move slowly, the current pace was considered "very speedy" by comparison.

In respect of the proposals concerning capital flows, the leaders called

for the early establishment of a task force "including the systematically significant economies" to develop practical proposals.

Dr Mahathir said the Apec Finance Ministers would be looking into this.

The leaders also directed their Finance Ministers to look for innovative ways to promote the recovery of capital flows into the region, including through partnerships among member economies, the private sector and collaborative efforts with the World Bank, the Asian Development and other multilateral institutions.

The leaders also said they were resolved to work together to support an early and sustained recovery in the region, to contain the risks of contagion and prevent the possibility of a global recession.

The leaders reaffirmed their confidence in the strong economic fundamentals and prospects of recovery for the economies of the Asia Pacific.

On the financial crisis, the leaders noted the "several encouraging developments in our economies and in the international financial system in recent months."

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