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APEC-NEWS-CRISIS

G-22 APPROPRIATE FORUM TO DISCUSS FINANCIAL CRISIS

KUALA LUMPUR, Nov 18 (Bernama) -- The G-22 grouping of developing and developed countries is an appropriate forum to discuss the financial crisis, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said a proposal to hold a G-22 summit was discussed but it was not included in the leaders' declaration of the sixth Asia-Pacific Economic Cooperation (Apec) Economic Leaders meeting which ended here today.

He told a press conference here that the ministers of finance and central bankers from the G-22 countries would discuss the mechanics which would then be taken up by higher authorities.

The G-22, established last year to address the financial crisis, includes members of the G-7 (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.

He said the Apec leaders' declaration was specific enough to focus on certain issues of concern to Apec.

"But, we have decided that in order to progress further on the financial crisis, we need to seek a forum that can get the support of the majority of countries in this world," Dr Mahathir said.

"That is why the G-22 was suggested and it will lead off from there."

Despite the leaders' declaration falling short of calls to regulate currency trading, he said all had admitted the urgent need for it and the discussion on the currency crisis took up most of time of the meeting.

On the other hand, he said getting things moving in the international community was another thing, it was very ponderous and did not move fast enough.

In his bilateral meetings with other leaders, Dr Mahathir said he had explained that Malaysia's limited capital controls were meant to stop currency traders from fiddling with the ringgit.

"It is not to stop capital from coming in and out of Malaysia," he said.

The controls also meant that any short-term capital coming into the country would find itself locked up in long-term investment as the money can only be taken out after one year.

"That is about the only thing about capital controls and most people feel it is the logical thing to do," he said.

He also said international rating agencies did not contribute anything at all.

"If they were made to be more responsible and rate the institutions that they are asked to do, than they would be doing a service," he said.

"But, the kind of general rating that did not take into consideration many positive factors is not helping anyone."

On the financial crisis, Dr Mahathir said International Monetary Fund (IMF) intervention in the initial stages certainly did not bring results.

"In fact, matters got worse. Now we see some results but this is not necessarily due to the IMF intervention," he said.

He said problems such as that concerning hedge fund Long Term Credit Management (LTCM) led to a weaker US dollar and made currencies of countries affected by the financial crisis look like they had strengthened.

He said at the same time, banks too did not lend as quickly to the

hedge funds as they were afraid of losing money and "therefore, not in a position to apply the same pressure as they did".

-- BERNAMA

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