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APEC-DECLARATION

APEC LEADERS: IMPROVE TRANSPARENCY OF HIGHLY LEVERAGED FUNDS

By: Mikhail Raj Abdullah

AUCKLAND, Sept 13 (Bernama) -- Asia-Pacific Economic Cooperation (Apec) leaders ended their annual summit here today firmly endorsing calls for reforms to the international financial architecture.

In the Auckland declaration read out by the host this year, New Zealand's prime minister Jenny Shipley, the leaders went a step further by calling for greater transparency of high leveraged institutions, a move designed to check the unbridled activities of notorious international hedge funds.

The endorsement by the 21-member economies firmly addresses Malaysia's concerns over reforming the world financial system.

Malaysia has consistently blamed uncontrolled hedge funds for attacking currencies and causing the Asian meltdown and in the process, forcing some economies including Malaysia into recession.

Prime Minister Datuk Seri Dr Mahathir Mohamad has repeatedly said that hedge funds should be controlled through reforms of the global financial architecture.

Even as late as two weeks ago, the Tiger Fund which was notorious for attacking the Thai baht in July 1997, again speculated against the currency, causing the already vulnerable unit to be devalued further.

It clearly proved that if hedge funds are not controlled by reforming the financial architecture, they would continue to be a thorn in the side of developing countries, even those which had restructured their economies with billions of dollars in financial assistance.

Recognising the need to control currency speculation, Malaysia imposed capital controls last September which has provided stability to its financial system and enabled the economy to come out of the recession.

Shipley, who hosted the leaders at the Auckland Museum, read out a brief version of the 10-paged declaration, where she said the forum continues to support ongoing efforts to improve crisis prevention and crisis resolution.

As such, "we urge prompt action to improve transparency of highly leveraged institutions," said Shipley, who at the meetings was flanked by Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi and Sultan Haji Hassanal Bolkiah since Malaysia was host last year and Brunei in 2000.

Apec leaders agreed that the establishment of the Financial Stability Forum and a new informal mechanism to enhance dialogue among the systemically important economies should advance cooperation on strengthening the international financial system.

Malaysia is represented in the forum with Bank Negara Malaysia Deputy Governor Datuk Dr Zeti Akhtar Aziz sitting on the committee on capital flows.

The Apec leaders said that they also supported the developing consensus on the need to ensure that reforms of the international financial architecture system and domestic financial markets are mutually reinforcing.

Apec's diverse membership provides a special contribution to discussions on domestic and international financial reforms.

During the meeting, the leaders also endorsed the Apec finance ministers efforts to strengthen domestic financial markets and secure the foundation for the return of capital to the region.

This, they said, should be done by enhanced supervision of financial

markets, including through improved training of supervisors and regulators.

They also said that domestic bond markets should be developed based on the just published compendium of sound practices and developing and applying agreed corporate governance principles.

"This gives priority to strengthening market infrastructure and human capacity in our economies and enterprises, especially in developing economies.

-- BERNAMA

MR MFJ