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APEC-TALK

APEC MAY BE DEGENERATING INTO HIGH-PROFILE TALK SHOP

By: Mikhail Raj Abdullah

AUCKLAND, Sept 6 (Bernama) -- Renewed attacks on the Thai baht by speculators recently should serve as a second wake-up call to Apec, which so far has failed miserably to reform and ensure an orderly currency market.

Two years ago in Vancouver, the grouping could have started the ball rolling in bringing about such changes: yet Apec pushed them aside, casting doubts on the effectiveness of regional unity which Apec preaches without fail.

Lest its annual meeting degenerates into a high-profile talk shop, the Asia-Pacific Economic Cooperation Forum should pull itself out of semi-paralysis and act to strengthen financial markets and member economies.

However, in a background paper issued by this year's host, New Zealand, on key issues for Apec 99 here, it says that "many of the questions surrounding global financial architecture have been left to international financial institutions and rightly so."

There lies Apec's weakness, passing the buck to others when it has the clout to rectify weaknesses and make its presence felt. Its 21 members are not countries to be scoffed at as they include several majors and account for 57 percent of the global economy and nearly half of world trade.

When Apec decided at its Vancouver meeting to send discussions on reforms of the global financial architecture to the International Monetary Fund and to the Group of 22 countries at its Kuala Lumpur meeting last year, the grouping showed its inaction and indecisiveness.

Even the sticky issue of opening up the fishery and forestry sectors under the Early Voluntary Sectoral Liberalisation (EVSL) tariff-reduction scheme was packed off to the World Trade Organization (WTO).

The Minister of International Trade and Industry, Datuk Seri Rafidah Aziz, in voicing Malaysia's position on currency trading, clarified that "nobody is talking about stopping currency trading.

"We are talking about having parameters within which currency trading can take place just like for goods and services,"

Auckland plays host to the Apec meeting this year, beginning tomorrow with two days of deliberations by senior officials. They will be followed by the foreign and trade ministers' beginning Sept 9 where Rafidah will be joined by Foreign Affairs Minister Datuk Seri Syed Hamid Albar.

This will culminate in the leaders' summit beginning Sept 12, but Prime Minister Datuk Seri Dr Mahathir Mohamad is not attending because of his heavy schedule back home. His deputy, Datuk Seri Abdullah Ahmad Badawi, will represent him, thus making his debut at Apec in his capacity as Deputy Prime Minister.

Rafidah, who knows only too well about the inner workings of Apec, told Bernama recently that "we cannot trade in goods as we like, there are safeguards to protect the country, parameters that bind traders and goods, standards etc.

"Let's have similar parameters in currency trading. But in Apec, we never discussed that, beyond saying the well-abused word +reform+ and architecture.

"And it is sad when eventually every discussion boils down to reform of the domestic economy, opening up of markets, liberalisation, globalisation, transparency. This is something I don't understand."

"In Apec, people are chary of making any statements that are strong enough to push anything in the international fora, especially when they affect the majors," said Rafidah.

She said there is no denying that some powerful economies want to bind others on tariff cuts, market access and on policies that favour foreign investors.

"But they don't want anything binding to reform or regulate the financial system," she said. "They don't even want to talk in strong terms about the distortions of unbridled currency trading."

The minister, in warning about vulnerability of economies and the dangers faced by them when exposed to currency speculators, said no matter what any government did to reform its domestic economy, "if you allow your currency to be traded in an unbridled fashion, all these things to open up the domestic economy will come to nought."

She added, "If the value of your currency is suddenly halved within two weeks, your beautifully structured banks will suffer, traders will suffer (and) you may be the most open market, but your domestic economy will be distorted."

As such, she said some countries should stop harping on domestic reforms for they were already happening.

"Governments, which don't undertake the necessary reforms, shouldn't be there in the first place," she said. "All governments are undertaking reforms to the best of their abilities, but outsiders with narrow interests must not dictate trade and investment reforms, but that is what is happening now," Rafidah lamented.

"They tell us what to do, they tell us what to reform. Whether it suits the economy or not, that's besides the point for them, whereas nobody is looking at the most important reform, that of the financial system," she said.

Incidentally, the Apec Business Advisory Council (Abac) is also critical of Apec as it feels the grouping is not too market-driven in terms of tariff cuts and market-opening measures. Apec also failed to include proposals by the region's finance ministers into the Apec process.

"Perhaps, we will have to look at what we do in Apec so as to ensure it really relates to the needs of the market, rather than talk about a free market or a liberal market," Rafidah said. "In Apec, we cannot have one prescription for everyone, given the differing levels of economic development among member economies. You cannot apply the same principles to everybody," she said. -- BERNAMA

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