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NEAC-REFORMS

CALL FOR GLOBAL FINANCIAL STRUCTURE REFORM INCREASES, SAYS NEAC

KUALA LUMPUR, March 3 (Bernama) -- The National Economic Action Council (NEAC) has expressed the conviction that the call for global financial structure reforms has increased, following Malaysia's success in softening the blow of speculation and ebbing economic tide.

In a statement released today, NEAC said when Prime Minister Datuk Seri Dr Mahathir Mohamad's capital control measures were put into effect on Sept 1, 1998, they received criticisms from economists the world over.

Now, 18 months after the Asian economic crisis first took root in 1997, the world is beginning to see and realise the effectiveness in curbing speculators and preventing them from causing more harm and instability to the economy, NEAC added.

Today, the need for changes to the international financial architecture is globally acknowledged and accepted, and even the International Monetary Fund (IMF) and US President Bill Clinton have joined the fray, NEAC said.

The NEAC statement highlighted an article in the Wall Street Journal which quoted Clinton as saying: "When the tides of capital first flood emerging markets and then abruptly recede, when millions who have worked into the middle class are plunged suddenly into poverty, the need for reform of the international financial system is clear."

NEAC said the pressures on world leaders for reforms in the international financial architecture are mounting, particularly in developed nations as they are now getting the sickness themselves.

More governments are becoming aware of the need to control short-term money inflow as well as to educate investors and discourage reckless lending by banks, NEAC said.

Reckless lending carries the risk of default and on a larger scale, it may cause economic suffering not only in the country of origin but also in other nations as the global economy involves an interdependence of nations, NEAC explained.

NEAC also said the advisor to the government, Salomon Smith Barney, had pointed out that any curbs on lenders will be the most efficient way to eliminate the excesses of hedge fund activities.

According to the NEAC statement, Salomon believes that permanent measures in restricting the degree of leverage in the international financial system by the G7 countries will also be positive to Malaysian bond spreads.

Salomon added that effective reduction in the leverage for the global bond markets will reduce volatility and deter real money investors, such as pension funds, insurance companies and mutual fund managers, from buying the Asian debt.

Although there is a long way to go on the path for absolute changes, the fact that more and more world leaders are voicing the need for reforms in the international financial structure should augur well for Malaysia which has been the lone voice of reason that had brought about much needed change. -- BERNAMA

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